BCT·TELUS

BRIAN A. CANFIELD
Chairman

A letter from the Chairman

March 25, 1999

Dear shareholder:

I would like to invite you to the first BCT.TELUS annual general meeting on Tuesday, May 11, 1999. This will be a multi-site meeting held simultaneously at the following locations:

10:00 a.m. (Pacific time)*	11:00 a.m. (Mountain time)*	1:00 p.m. (Eastern time)*
Robson Square	Sheraton Grande	Metropolitan Hotel
Conference Centre	Edmonton Hotel	108 Chestnut Street
800 Robson Street	10235 - 101 Street	Toronto, ON
Vancouver, BC	Edmonton, AB	

**Daylight savings time*

At the meeting, holders of Common Shares will be asked to approve:

- The nominees to the Board of Directors
- The appointment of Arthur Andersen, Chartered Accountants, as auditors of BCT.TELUS
- A Stock Option and Share Compensation Plan

Holders of Non-Voting Shares are also encouraged to attend and participate in the meeting, but will not be entitled to vote with respect to any business at the meeting.

In considering the proposed resolutions, please refer to the enclosed materials including the information circular, proxy form and/or voting instruction card. The BCT.TELUS Annual Report is also enclosed for your information and includes December 31, 1998 year-end financial information for TELUS Corporation and BC TELECOM.

As an environmentally friendly company, we try to reduce waste by eliminating duplicate mailings wherever possible. You may be receiving multiple copies of some material depending on how you hold your shares. If you are dealing with more than one broker, consider consolidating your BCT.TELUS holdings into one account. If you are a registered holder, confirm that your name and address are identical on each certificate that you hold. If this is not the case, please call Montreal Trust at 1-800-558-0046 within North America or (403) 267-6555 outside North America.

I look forward to meeting with you on May 11. If you are unable to attend the meeting in person and you hold Common Shares, please complete the proxy form and/or voting instruction card and return it in the enclosed postage paid envelope.

Thank you,

Brian A. Canfield
Chairman

Floor 31 • 10020 – 100th Street NW • Edmonton • Alberta • Canada T5J 0N5
Telephone 780.493.6500 • Facsimile 780.493.6542
Floor 21 • 3777 Kingsway • Burnaby • British Columbia • Canada V5H 3Z7
Telephone 604.432.3600 • Facsimile 604.431.8273

1999 notice of annual general meeting

BCT·TELUS

BCT.TELUS Communications Inc.

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of members of BCT.TELUS Communications Inc. (the "Company") will be held on Tuesday, May 11, 1999 at 10:00 a.m. (Pacific Daylight Saving Time), 11:00 a.m. (Mountain Daylight Saving Time) and 1:00 p.m. (Eastern Daylight Saving Time) concurrently at: the Robson Square Conference Centre, 800 Robson Street, Vancouver, British Columbia; the Sheraton Grand Edmonton Hotel, 10235 – 101st Street, Edmonton, Alberta; and the Metropolitan Hotel, 108 Chestnut Street, Toronto, Ontario, for the following purposes:

1. to receive the Company's unaudited combined consolidated financial report for the year ended December 31, 1998;
2. to elect directors for the ensuing year;
3. to appoint auditors and authorize the Board of Directors to fix their remuneration;
4. to consider and, if thought fit, to pass an ordinary resolution approving the Share Option and Compensation Plan; and
5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Pursuant to an order of the Supreme Court of British Columbia, this Meeting is being held concurrently at the three locations set forth in this Notice by two-way audio-video communications. This technology will allow executives and holders of Common Shares and Non-Voting Shares present at each location to fully participate in the Meeting. A copy of this court order may be obtained upon request to the Vice-President and Corporate Secretary of the Company.

DATED at Burnaby, British Columbia this 25th day of March, 1999.

By order of the Board of Directors

Kerry C. Day

Vice-President and Corporate Secretary

The holders of Common Shares of the Company who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it, in the envelope provided, or otherwise deliver it, to the Corporate Secretary of the Company, c/o Montreal Trust Company of Canada at 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8, to reach the addressee not later than 5:00 p.m., local time, on May 7, 1999 or, if the Meeting is adjourned, by 5:00 p.m. on the second last business day prior to the date on which the Meeting is convened.

BCT.TELUS Communications Inc. Management Information Circular

Dated as of March 25, 1999

This Information Circular is furnished in connection with the solicitation of proxies by management of BCT.TELUS Communications Inc. ("BCT.TELUS" or the "Company") for use at the Annual General Meeting (the "Meeting") of the Company to be held on May 11, 1999. Each holder of Common Shares ("Common Shares") and Non-Voting Shares ("Non-Voting Shares") of the Company will be sent an Information Circular. Each holder of Common Shares will also be sent a form of proxy for voting purposes and each holder of Employee Shares, as hereinafter defined, will be sent a voting instruction card. Each holder of Non-Voting Shares will not receive a proxy or voting instruction card, but is entitled to attend the Meeting.

The Meeting is being held concurrently in three locations at: the Robson Square Conference Centre, 800 Robson Street, Vancouver, British Columbia; the Sheraton Grand Edmonton Hotel, 10235 – 101st Street, Edmonton, Alberta; and the Metropolitan Hotel, 108 Chestnut Street, Toronto, Ontario, by way of two-way audio-video communications pursuant to an order of the Supreme Court of British Columbia. This technology will allow executives and holders of Common Shares and Non-Voting Shares present at each location to fully participate in the Meeting. A copy of this court order may be obtained upon request to the Vice-President and Corporate Secretary of the Company at 21st Floor, 3777 Kingsway, Burnaby, British Columbia, V5G 3Z7.

Solicitation of Proxies

The solicitation of proxies from holders of Common Shares for use at the Meeting (including holders of Employee Shares) will be by mail to the member's latest address shown on the Register of Members. The cost of this solicitation will be borne by the Company.

Proxy for Registered Holders of Common Shares

Each of the persons named in the enclosed form of proxy to represent holders of Common Shares at the Meeting is a director and/or officer of the Company. **Each holder of Common Shares has the right to appoint some other person to represent the holder of Common Shares at the Meeting and may exercise this right by inserting such other person's name in the blank space provided in the enclosed form of proxy or by completing another acceptable form of proxy. A person so appointed to represent a holder of Common Shares at the Meeting need not be a holder of Common Shares but must attend the Meeting and contain instructions as to the manner in which the holder of Common Shares may exercise that right.**

Each holder of Non-Voting Shares has the right to attend (in person or by proxy) and be heard at the Meeting.

The form of proxy must be dated and signed by the holder of Common Shares or the holder's attorney authorized in writing. If such a holder is a corporation, the form of proxy must be executed under its corporate seal or by an officer or attorney thereof duly authorized.

To be voted at the Meeting, a form of proxy must be received at the office of Montreal Trust Company of Canada, 600, 530 – 8th Avenue S.W., Calgary Alberta, T2P 3S8 not later than 5:00 p.m., local time, on May 7, 1999. A holder of Common Shares who has given a proxy may revoke it by delivery of an instrument in writing including another form of proxy bearing a later date or a form of revocation of proxy, signed by the holder of Common Shares or by an attorney of the holder of Common Shares authorized in writing, or if the holder of Common Shares is a corporation, by a duly authorized officer or attorney of that corporation, to the registered office of the Company at 21st Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 at any time up to and including the second last business day preceding the day of the Meeting or any adjournment thereof. Alternatively, the holder of Common Shares may revoke the proxy and may vote in person, as to any matter on which a vote has not already been requested pursuant to the authority conferred by the proxy, by delivery of such form of revocation of proxy to the Chairman of the Meeting at the Meeting or any adjournment thereof, or may revoke the proxy in any other manner permitted by law.

On any vote that may be called for at the Meeting or any adjournment thereof, all Common Shares in respect of which the persons named in the enclosed form of proxy have been appointed to act, will be voted for or against or withheld from voting in accordance with the specifications made by the holder of Common Shares. **If a specification is not made with respect to any matter on the form of proxy, the Common Shares will be voted in favour of such matter. If two directions are made in respect of any matter, the Common Shares will be voted in favour of such matter.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority on the appointed persons to vote as they see fit on any amendment or variation to any of the matters identified in the Notice of Meeting and on any other matter that may properly be brought before the Meeting. As of the date hereof, neither the Board of Directors of the Company (the "Board of Directors") nor management of the Company is aware of any variation, amendment or other matter to be presented for a vote at the Meeting.

Voting Instruction Cards for Employee Shares

The Royal Trust Company is the trustee of all Common Shares held on behalf of former members of the TELUS Employee Share Purchase Plan and Canada Trust is the trustee of all Common Shares held on behalf of former members of the BC TELECOM Employee Share Purchase Plan (the "Trustees"). The employee share purchase plans of each of BC TELECOM Inc. ("BC Telecom") and TELUS Corporation ("TELUS") have been replaced by the BCT.TELUS Employee Share Plan effective as of February 1, 1999. All Common Shares held by the Trustees on behalf of employees participating in either plan were converted pursuant to the plan of arrangement between BC TELECOM and TELUS completed on January 31, 1999 (the "Plan of Arrangement") into Common Shares (the "Employee Shares") and Non-Voting Shares of the Company.

Voting rights attached to Employee Shares may be exercised by the holders thereof by completing the enclosed voting instruction card and thereby directing the appropriate Trustee as to how such Employee Shares are to be voted at the Meeting. The Trustees will deliver one or more forms of proxy at the Meeting indicating the result of all votes cast by way of voting instruction cards. The voting rights attached to Employee Shares will be voted for or against or withheld from voting in accordance with the specifications made.

Montreal Trust Company of Canada has agreed to act as the recipient of the voting instruction cards and will then forward them to the appropriate Trustee for tabulation.

In order for Employee Shares to be voted at the Meeting, a voting instruction card in respect thereof must be received at the office of Montreal Trust Company of Canada, 600, 530 – 8th Avenue S.W. Calgary, Alberta T2P 3S8 not later than 5:00 p.m., local time, on May 7, 1999. A holder of Employee Shares who has given a voting instruction card may revoke it by depositing another voting instruction card bearing a later date or a notice of such revocation, signed by such holder or by an attorney of such holder authorized in writing, at the registered office of the Company at 21st Floor, 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7 at any time up to and including the second last business day preceding the day of the Meeting or any adjournment thereof. **If a voting instruction card is not received by Montreal Trust Company of Canada on behalf of the appropriate Trustee in accordance with the above procedures, the Employee Shares will be voted in favour of all resolutions put forth at the Meeting as provided for herein.**

No form of proxy is to be completed in respect of Employee Shares. However, if an employee holds Common Shares (other than Employee Shares), the form of proxy must be completed to vote such Common Shares, unless such employee attends the Meeting and votes such Common Shares in person.

Instructions for Non-registered Holders of Common Shares

All non-registered holders of Common Shares who receive these materials through a broker or other intermediary should complete and return the materials entitling such beneficial owners to vote in accordance with the instructions provided to them by such broker or other intermediary.

Confidentiality

Proxies are counted and tabulated by Montreal Trust Company of Canada, the transfer agent of the Company, in such a manner as to preserve the confidentiality of individual holders of Common Shares votes, except: (a) as necessary to meet the applicable legal requirements; (b) in the event of a proxy contest; or (c) in the event a holder of Common Shares has made a written comment on the proxy form.

Voting and Ownership of Shares

The Board of Directors has fixed March 25, 1999 as the record date for the Meeting and, according to the Articles of the Company, all holders of Common Shares and Non-Voting Shares of record at the close of business on such date will be entitled to receive notice of and to attend (in person or by proxy) and be heard at the Meeting. Only holders of Common Shares as of March 25, 1999 will be entitled to vote at the Meeting. Each Common Share entitles the holder thereof to one vote. On February 28, 1999, the Company had 177,436,209 Common Shares outstanding.

A quorum at the Meeting will consist of at least two persons present and being, or representing by proxy, members holding not less than 1/20 of the issued and outstanding Common Shares.

On February 28, 1999, the Anglo-Canadian Telephone Company ("Anglo-Canadian") owned, directly and indirectly, 47,354,954 Common Shares representing approximately 26.7 per cent of the issued and outstanding Common Shares. Anglo-Canadian is beneficially owned and controlled as to 100 per cent of its Common Shares by GTE Corporation of Stamford, Connecticut. To the knowledge of the directors and senior officers of the Company, on February 28, 1999, no other persons beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying more than 10 per cent of the voting rights attached to all Common Shares entitled to be voted at the Meeting.

On October 25, 1994, the *Canadian Telecommunications Common Carrier Ownership and Control Regulations* (the "Regulations") were adopted under the *Telecommunications Act* (Canada) (the "Act"). To maintain the eligibility of certain of its subsidiaries which are Canadian common carriers under the Act, the level of non Canadian ownership of the Common Shares cannot exceed 33$^1/_3$ per cent and the Company must not be otherwise controlled by non-Canadians. The Regulations give carrier holding corporations of Canadian common carriers certain powers to monitor and control the level of non-Canadian ownership of voting shares. As a carrier holding corporation, the powers and constraints of the Regulations have been incorporated into the Articles of the Company. The powers include the right: to refuse to register a transfer of voting shares to a non-Canadian; to force a non-Canadian to sell any voting shares or if agreed to by the Board of Directors, convert voting shares to non-voting shares; and to suspend the voting rights attached to that person's shares, if that person's holding would jeopardize the status of the Company as "Canadian" under the Regulations. The Company monitors the level of non-Canadian ownership of its Common Shares and periodically reports thereon.

Non-Voting Shares

Subject to the prior rights of the holders of First Preferred Shares and Second Preferred Shares of the Company, the holders of Non-Voting Shares are entitled to participate equally with the holders of Common Shares with respect to the payment of dividends and the right to participate in the distribution of assets of the Company on the liquidation, dissolution or winding up of the Company. The Non-Voting Shares cannot be subdivided, consolidated, reclassified or otherwise changed unless the Common Shares are changed in the same manner.

The holders of Non-Voting Shares are entitled to receive notice of, attend and be heard at all general meetings of the members of the Company and are entitled to receive all notices of meetings, information circulars and other written information from the Company that the holders of Common Shares are entitled to receive from the Company, but are not entitled to vote at such general meetings unless otherwise required by law.

In order to ensure that the holders of the Non-Voting Shares can participate in any offer which is made to the holders of the Common Shares (but is not made to the holders of Non-Voting Shares on the same terms), which offer must, by reason of applicable securities legislation or the requirements of the stock exchanges on which the Common Shares are listed, be made to all or substantially all the holders of Common Shares who are in any province of Canada to which such requirements apply (an "Exclusionary Offer"), each holder of Non-Voting Shares will, for the purposes of the Exclusionary Offer only, be permitted to convert all or part of the Non-Voting Shares held into an equivalent number of Common Shares during the applicable conversion period. In certain circumstances (namely, the delivery of certificates, at specified times, by holders of 50 percent or more of the issued and outstanding Common Shares to the effect that they will not, among other things, tender to such Exclusionary Offer or make an Exclusionary Offer), these conversion rights will not come into effect.

If the Act and the Regulations thereunder are changed so that there is no restriction on non-Canadians holding Common Shares, holders of Non-Voting Shares will have the right to convert all or part of their Non-Voting Shares into Common Shares on a one-for-one basis and the Company will have the right to require holders of Non-Voting Shares who do not make such an election to convert such Non-Voting Shares into an equivalent number of Common Shares.

Report of the Directors and Consolidated Financial Report

The report of management, the Company's unaudited combined consolidated financial report for the year ended December 31, 1998, and the audited consolidated financial statements of BC TELECOM and TELUS for the year ended December 31, 1998 which will be placed before the members at the Meeting, are contained in the Annual Report of the Company which accompanies this Information Circular.

Election of Directors

General

Effective January 31, 1999, the directors were appointed by BC TELECOM and TELUS, the sole holders of Common Shares at that time. The Articles of the Company indicate that the number of directors is 16.

Pursuant to the *Company Act* (British Columbia), advance notice of the Meeting was published in the Vancouver Sun on March 5, 1999.

The Articles of the Company provide for cumulative voting in respect of the election of directors. At the Meeting each holder of Common Shares has the right to cast the number of votes for election of directors equal to the number of Common Shares held by him or her multiplied by 16, being the number of directors to be elected. Each holder of Common Shares may cast all such votes in favour of one candidate or distribute the votes among the candidates in any manner. If a holder of Common Shares votes for more than one candidate without specifying the distribution of the votes among the candidates, the votes will be distributed equally among the candidates voted for by that holder of Common Shares. If at the Meeting the number of candidates nominated for directors exceeds the number of directors to be elected, the candidate who receives the least number of votes will be eliminated until the number of candidates remaining equals the number of positions to be filled.

Election of Directors by Holders of Common Shares

Unless the holder of Common Shares signing the form of proxy specifies that the form of proxy be withheld from voting on the election of all directors or indicates that such holder wishes to exercise cumulative voting rights, the persons named in the enclosed form of proxy intend to vote for the election as directors of the nominees to the Board whose names are set forth in the table on the following page. If a holder of Common Shares wishes to distribute votes other than equally among the candidates for whom the holder of Common Shares has directed the nominee designated in the accompanying form of proxy to vote, the holder of Common Shares must do so personally at the Meeting or by another proper form of proxy.

Management has no reason to believe that any nominee will be unable to serve as a director. **If prior to the Meeting any of such nominees is unable or unwilling to serve, the persons named in the accompanying form of proxy, unless directed to withhold the Common Shares from voting for the election of directors, reserves the right to vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting.** Unless his or her office is vacated in accordance with applicable law or the Articles of the Company, each director elected at the Meeting will hold office until the next annual meeting of members or until his or her successor is elected or appointed.

The following table sets forth the name and background information of each nominee, including present principal occupation, principal occupations during the past five years, and positions held with the Company and its significant affiliates. The background information also includes the year in which each nominee first became a director of BC TELECOM or TELUS, if applicable. In addition, the table shows the number of Common Shares and Non-Voting Shares that each nominee beneficially owns, directly or indirectly, or exercises control or direction over, as of February 28, 1999. The information as to Common Shares and Non-Voting Shares owned beneficially, not being within the knowledge of the Company, has been furnished to the Company by the nominees.

Name and Municipality Of Residence	Principal Occupation	Director of BC TELECOM Inc. or TELUS Since	Securities of BCT.TELUS (Common Shares/ Non-Voting Shares)
R. John Butler, Q.C (4) (5) Edmonton, Alberta	Counsel, Bryan and Company (law firm)	1995	984/328
Brian A. Canfield (3) (6) Point Roberts, Washington	Chairman of BCT.TELUS Communications Inc.	1993	7,626/2,542
Pierre Choquette (4) (5) Vancouver, British Columbia	President and Chief Executive Officer, Methanex Corporation (methanol producer and marketer)	1997	750/250
G.N. (Mel) Cooper, C.M., O.B.C. (3) (5) Victoria, British Columbia	Chairman and Chief Executive Officer, Seacoast Communications Group Inc. (broadcasting company)	1993	2,350/750
David L. Emerson (2) Vancouver, British Columbia	President and Chief Executive Officer, Canfor Corporation (integrated forest products company)	1996	375/125
Iain J. Harris (1) (3) Vancouver, British Columbia	Chairman and Chief Executive Officer, Summit Holdings Ltd. (investment and holding company)	1997	750/250
Norm Kimball (2) (3) Calgary, Alberta	President, L&N Investments Ltd. (private holding company)	1991	1,984/328
Richard J. LeLacheur (2) (5) Edmonton, Alberta	Chairman, Workers' Compensation Board (Alberta)	1991	984/328
Michael T. Masin (2) (6) Greenwich, Connecticut	Vice-Chairman and President – International, GTE Corporation (member of consolidated group of telecommunications companies)	1995	1,501/500
Harold P. Milavsky, F.C.A (1) (3) Calgary, Alberta	Chairman, Quantico Capital Corp. (investment company)	1991	3,603/1,199
Walter B. O'Donoghue, Q.C. (1) Calgary, Alberta	Partner, Bennett Jones (law firm)	1991	2,484/827
George K. Petty Edmonton, Alberta	President and Chief Executive Officer, BCT.TELUS Communications Inc.	1994	7,017/1,953
Fares F. Salloum (1) (4) (6) Dallas, Texas	Senior Vice-President – International Operations, GTE Service Corporation (member of consolidated group of telecommunications companies)	1997	1,501/500
Geraldine B. Sinclair (2) Vancouver, British Columbia	President and Chief Executive Officer, NCompass Labs Inc. (developer of Internet software) and Executive Director, ExCITE Centre (multimedia research and development centre)	1998	225/75
Ronald P. Triffo (1) (4) Edmonton, Alberta	Chairman, Stantec Inc. (engineering company)	1995	1,567/522
Donald Woodley (4) Orangeville, Ontario	President, Oracle Corporation Canada Inc. (software company)	1998	668/222

Notes:

(1) Member of Audit Committee as of February 1, 1999
(2) Member of Compensation Committee as of February 1, 1999
(3) Member of Board of Governance Committee as of February 1, 1999
(4) Member of Strategic Policy Committee as of February 1, 1999
(5) Member of Pension Trust Committee as of February 1, 1999
(6) Nominee has been designated by GTE Corporation pursuant to the Long-Term Relationship Agreement dated January 31, 1999 among the Company, GTE Corporation and Anglo-Canadian Telephone Company, which agreement was described in the Joint Management Proxy Circular of BC TELECOM and TELUS dated December 8, 1998.

All of the proposed nominees for director of the Company have held the principal occupations set forth above or executive positions with the same companies or firms referred to, or with affiliates or predecessors thereof, for the past five years except as follows: Pierre Choquette was President of Novacorp International Inc. (petrochemical company) prior to December, 1994; David L. Emerson was President and Chief Executive Officer of the Vancouver International Airport Authority prior to January, 1998; Iain J. Harris was President and Chief Executive Officer of Air

BC Limited (airline company) prior to February, 1995; Richard J. LeLacheur was the President and Chief Executive Officer of Economic Development Edmonton prior to March, 1998; George K. Petty was Vice-President of Global Business Services for AT&T (telecommunications company) prior to November, 1994; Fares F. Salloum was Vice-President, Emerging Services of BC TEL prior to July, 1995 and Executive Vice-President, Communication Services of BC TELECOM and BC TEL from July, 1995 to July, 1997; and Donald P. Woodley was the President of Compaq Canada Inc. (computer technology company) prior to January, 1997.

Corporate Governance

The Board of Directors is committed to ensuring that the Company has an effective corporate governance system which adds value and assists the Company in achieving its objectives. At BCT.TELUS, corporate governance means the process and structure used to supervise the business and affairs of the Company with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business. The process and structure define the division of authority and responsibilities and establish mechanisms for achieving accountability by the Board and management. The direction and management of the business will also take into account the impact of decisions on other stakeholders such as employees, customers, suppliers and communities.

In February 1995, The Toronto Stock Exchange (the "TSE") adopted the report of its Committee on Corporate Governance in Canada and issued guidelines for effective corporate governance (the "guidelines"). The guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

BCT.TELUS acknowledges the benefits received by BCT.TELUS, its holders of Common Shares and Non-Voting Shares and the business community in general from the disclosure of governance practices and is committed to an ongoing process of disclosure and further implementation of the guidelines, where appropriate.

In accordance with the guidelines it is a listing requirement that each TSE listed corporation annually disclose its approach to corporate governance with reference to the guidelines. The disclosure is attached to this Information Circular as Schedule "A".

Appointment of Auditors

Arthur Andersen LLP were appointed auditors of the Company on January 27, 1999. Holders of Common Shares will be asked at the Meeting to approve the reappointment of Arthur Andersen LLP as auditors at a remuneration to be determined by the directors, and such reappointment will become effective only if approved by at least a majority of the votes cast by the holders of Common Shares entitled to vote at the Meeting.

The persons named in the enclosed form of proxy intend to vote for the appointment of Arthur Andersen LLP, Chartered Accountants, of Suite 2000, 401 West Georgia Street, Vancouver, British Columbia as auditors of the Company to hold office until the next annual general meeting, unless the holders of Common Shares specifies that the form of proxy be withheld from voting.

Approval of Share Option and Compensation Plan

On March 10, 1999 the Board approved a share option and compensation plan (the "Share Option and Compensation Plan") the purpose of which is to provide incentive compensation for non-employee directors, officers and designated employees of the Company and its subsidiaries and provide them with an opportunity to acquire an increased financial interest in the Company. The Share Option and Compensation Plan provides for comprehensive share options and equity based compensation for non-employee directors. The Share Option and Compensation Plan was implemented in order to provide an added equity based component in the compensation provided by the Company to its officers, designated employees and directors. The Share Option and Compensation Plan was adopted to better align the interest of the directors and management of the Company with the interests of the shareholders.

Any options granted to officers and designated employees under the Share Option and Compensation Plan will generally expire on the tenth anniversary of the date of grant. Unless otherwise determined as of the date of the grant of the option, which may include performance based vesting parameters being established, options are exercisable as to one third of the amount of the options granted on each anniversary following the original date of the grant. Options granted to officers and eligible employees terminate at varying times following termination of the employment of that officer or eligible employees terminate at varying times following termination of the employment of that officer of eligible employee with the Company or any subsidiary, including: at the regular termination of the option in the case of involuntary termination, normal retirement or disability; immediately in the event of voluntary termination or termination for cause; within 90 days in the event of termination without just cause; and within twelve months in the event of death.

Options granted under the Share Option and Compensation Plan to non-employee directors will generally expire on the tenth anniversary of the date of grant. Options are immediately exercisable, unless otherwise determined at the time of the grant of the option, which may include temporal or performance based vesting parameters. Options granted to non-employee directors are exercisable within twelve months of the date of death or if the non-employee director ceases to be a director, are exercisable for the balance of the term of the options unless after the termination date the director becomes a director, officer or employee of a corporation or entity which competes with the Company or its subsidiaries, in which event the options terminate automatically.

All options are to be granted at the purchase price not less than the weighted average trading price on the TSE on the day prior to the day of grant.

The Share Option and Compensation Plan also provides that non-employee directors may pursuant to an annual notice elect that their annual retainer and meeting fees be: paid to them in cash; applied to the acquisition of Common Shares or Non-Voting Shares; applied to the issue of deferred share units; or dealt with in any combination thereof. A non-employee director is not entitled to receive any part of the annual board retainer in cash unless an ownership target, established for the holding of Common Shares, Non-Voting Shares or deferred share units, has been met. The current ownership target of $100,000 is to be obtained within five years of a director joining the Board of Directors. Any purchase of Common Shares or Non-Voting Shares will be effected by a purchasing agent on behalf of the non-employee director in the market. At the election of the Company, the purchasing agent may also acquire Common Shares on behalf of non-employee directors from treasury. Any election for deferred share units will be applied or credited to an account for the non-employee director based on the weighted average trading price on the TSE on the same day as Common Shares or Non-Voting Shares are to be acquired by the purchasing agent. A deferred share unit is a bookkeeping entry, equivalent to the value of a Common Share credited to an account to be maintained for the individual until the director ceases to be a director. Deferred share units will be credited with dividend equivalents as dividends are paid on Common Shares and are converted into additional deferred share units on the applicable dates. Upon a non-employee director ceasing to be a director of the Company, the deferred share units are to be repaid at the weighted average trading price of the Common Shares on the TSE on the date of termination and that payment must be made within one year. The Company also has the right to issue Common Shares from treasury to satisfy the market value of the Common Shares under the Share Option and Compensation Plan. All Common Shares issued from treasury under the Share Option and Compensation Plan will be taken from the amount reserved for issuance under the Share Option and Compensation Plan.

The maximum number of Common Shares reserved for issuance in connection with the Share Option and Compensation Plan is 5,000,000 (representing 2.8 per cent of issued and outstanding Common Shares as of February 28, 1999), subject to approval by holders of Common Shares at the Meeting. The prescribed maximum may subsequently be increased, subject to applicable securities laws and the rules and regulations of the stock exchanges on which the Common Shares are listed, including further shareholder approvals as may be required by such exchanges.

In addition, as of February 28, 1999, 1,688,903 Common Shares and 562,967 Non-Voting Shares are under options resulting from the exchange of options issued under previous stock option plans of BC TELECOM and TELUS in accordance with the terms of the Plan of Arrangement.

On March 10, 1999 the Board awarded options to purchase a total of 225,850 Common Shares to the President and Chief Executive Officer, 7 executive officers and one designated employee of the Company and options to purchase 32,000 Common Shares to the 15 non-employee directors. The exercise price of such options was $37.40 per Common Share. Such grants are conditional upon the approval by the holders of Common Shares of the Share Option and Compensation Plan.

A copy of the Share Option and Compensation Plan is set forth in the attached Schedule "B" and holders of Common Shares and Non-Voting Shares are encouraged to review all the terms of the proposed Share Option and Compensation Plan. At the Meeting, the following resolution will be placed before the holders of Common Shares for approval:

> "RESOLVED that the Share Option and Compensation Plan for non-employee directors, officers and designated employees as set forth in Schedule "B" to the Company's Information Circular dated March 25, 1999 is hereby ratified, approved and confirmed."

Under the rules of the TSE, Montreal Exchange, Alberta Stock Exchange and Vancouver Stock Exchange, approval of the Share Option and Compensation Plan by the holders of Common Shares is required. The above resolution must be passed by a majority of the votes cast by the holders of Common Shares entitled to vote at the Meeting. If the resolution is not passed by the requisite majority, no Common Shares may be issued upon exercise of the options already granted under the Share Option and Compensation Plan, no further grants of options may be made, and no

Common Shares may be issued from treasury in connection with the purchase of Common Shares by non-employee directors or in connection with deferred share units.

The directors and management of the Company recommend approval of the resolution. Unless a clear specification is made by the holder of Common Shares on the proxy form to vote the Common Shares against the resolution, the persons named in the enclosed form of proxy intend to vote in favour of the resolution.

Executive Compensation

Summary Compensation Table

The Company was created pursuant to the Plan of Arrangement. In accordance with executive compensation requirements of applicable securities regulations, the following table sets forth information concerning the total compensation paid during the last three fiscal years to the Chief Executive Officer of each of BC TELECOM and TELUS and five other executive officers employed at either BC TELECOM or TELUS at December 31, 1998, who had the highest individual aggregate salary and bonuses during 1998 (collectively, the "Executive Officers"). The figures shown for each of the three years represent those amounts paid by either BC TELECOM or TELUS to the named individuals. Any amounts shown in the following tables in connection with the issuance of stock options relate only to options given under the former respective stock option plans of BC TELECOM and TELUS and not the Company's proposed Share Option and Compensation Plan and do not take into consideration the exchange of such options into options for Company shares in accordance with the terms of the Plan of Arrangement.

Name and Principal Position	Year Ended Dec 31	Annual Compensation Salary ($)	Annual Compensation Bonus[1] ($)	Other Annual Compensation[2] ($)	Long-Term Compensation/ Number of Securities Under Options Granted 1998	All Other 1998 Compensation[3] ($)
George K. Petty	1998	470,000	531,570	NIL	50,000	$ 21,284 [4]
President and Chief	1997	450,000	418,500			$ 20,340 [5]
Executive Officer, TELUS	1996	400,000	260,000			Total $ 41,624
Donald A. Calder	1998	405,000	421,362	NIL	20,000	$ 41,917 [7]
President and Chief	1997	320,000	342,273			$ 4,615 [6]
Executive Officer,	1996	250,000	226,500			$ 21,408 [5]
BC TELECOM and BC TEL						$ 11,837 [4]
						$170,650 [3]
						Total $250,427
C. Kenneth Crump	1998	265,000	219,818	NIL	15,500	$ 224 [6]
Senior Vice-President	1997	265,000	259,690			$ 7,735 [4]
Corporate Services and Chief	1996	250,000	233,250			$ 14,200 [5]
Financial Officer and Treasurer						$ 94,203 [3]
BC TELECOM and BC TEL						Total $116,362
Ian D. Mansfield	1998	295,000	208,155	NIL	10,000	$ 1,596 [7]
Senior Vice-President –	1997	207,500	144,695			$ 6,724 [4]
Operations, BC TELECOM	1996	175,000	129,150			$ 12,264 [5]
and BC TEL						$ 73,763 [3]
						Total $ 94,347
Harry W. Truderung	1998	260,000	184,440	126	11,295	$ 8,863 [4]
Executive Vice-President	1997	200,000	121,800			$ 10,800 [5]
and President	1996	162,500	80,438			Total $ 19,663
TELUS Mobility, TELUS						
Gary W. Goertz	1998	245,000	184,730	1,926	11,295	$ 10,800 [5]
Executive Vice-President	1997	205,000	111,212			$ 1,926 [2]
and Chief Financial Officer,	1996	196,333	97,500			Total $ 12,726
TELUS						
George N. Addy	1998	245,000	184,730	NIL	9,030	$ 4,250 [4]
Executive Vice-President	1997	214,000	116,095			$ 10,800 [5]
and Chief General Counsel,	1996	76,437	42,656			Total $ 15,050
TELUS						

Notes:

(1) Represents the variable "at risk" component of cash compensation; earned under annual variable reward plan in any year in case of BC TELECOM Executive Officers and earned under annual variable pay plan in any year in case of TELUS Executive Officers. Amounts are paid in first quarter of the following year. Further details provided under "Report on Executive Compensation – Cash Compensation".

(2) Represents taxable benefit on interest free loans used to purchase Common Shares in case of TELUS Executive Officers.

(3) Deferred share units granted under the BC TELECOM Medium Term Variable Pay Plan, as defined herein, and paid out in cash in December, 1998.

(4) Represents employer contributions to either BC TELECOM or TELUS employee share purchase plan.

(5) Credits provided to TELUS Executive Officers under optimum benefit plan and to BC TELECOM Executive Officers under Beneflex plan.

(6) Flexible perquisites provided to BC TELECOM Executive Officers.

(7) Payment in lieu of vacation entitlement at option for BC TELECOM Executive Officers.

Option/Stock Appreciation right (SAR) Grants During the Most Recently Completed Financial Year for the Executive Officers.

Name	Securities Under Options/SARs Granted [1] (#)	% of Total Option/SARs Granted to Employees In Financial Year[1]	Exercise or Base Price ($/Security) [2]	Market Value of Securities Underlying Options/ SARs on the Date of Grant ($)	Expiration Date
G.K. Petty	50,000	9.47%	32.90	32.90	Feb. 10, 2005
D.A. Calder	20,000	5.89%	46.75	46.75	Feb. 26, 2008
C.K. Crump	5,500	1.62%	45.00	45.00	Dec. 08, 2008
	10,000	2.94%	46.75	46.75	Feb. 26, 2008
I.D. Mansfield	10,000	2.94%	46.75	46.75	Feb. 26, 2008
H.W. Truderung	11,295	2.14%	32.90	32.90	Feb. 10, 2005
G.W. Goertz	11,295	2.14%	32.90	32.90	Feb. 10, 2005
G.N. Addy	9,030	1.71%	32.90	32.90	Feb. 10, 2005

Notes:

(1) Percentage refers to percent of total grant of TELUS or BC TELECOM as appropriate.

(2) BC TELECOM and TELUS options granted at closing price on the TSE on the last business day before date of grant.

Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-end Option/SAR Values for the Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/SARs at FY-End(#) Exercisable/ Unexercisable	Value of Unexercised in the Money Options/SARs at FY-End ($) Exercisable/ Unexercisable
G.K. Petty	NIL	NIL	268,350/111,700	4,329,375/858,750
D.A. Calder	SAR	133,750	64,756/40,000	1,082,677/154,669
C.K. Crump	NIL	NIL	57,000/35,500	940,252/186,569
I.D. Mansfield	SAR	239,825	1,967/25,000	35,193/140,750
H.W. Truderung	8,400 options	198,660	46,702/31,745	668,564/278,200
G.W. Goertz	NIL	NIL	36,310/27,965	563,675/230,950
G.N. Addy	6,000 options	112,500	17,110/19,250	225,875/127,750

BC TELECOM Pension Plan Table

Executive officers of BC TELECOM participate in the contributory pension plan for management and exempt employees (the "Management Plan") and the non-contributory supplementary income plan for executives (the "S.I.P.") (together called the "BC TELECOM Plans"). The S.I.P. supplements the Management Plan ensuring a total benefit at retirement determined as 2 percent of a person's highest three years' average salary and a person's highest five years' average bonus times the total number of years of credited service to a maximum of 35. An individual's highest five years' average bonus is the lesser of the average actual bonus received or the average target bonus set, both over a period of five years. The following table shows the total of the annual retirement benefits payable from the BC TELECOM Plans assuming retirement at age 60 or over:

Pension Plan Table

	Years of Credited Service				
Remuneration ($) (1)(2)	15	20	25	30	35
175,000	$ 52,500	$ 70,000	$ 87,500	$ 105,000	$ 122,500
200,000	60,000	80,000	100,000	120,000	140,000
225,000	67,500	90,000	112,500	135,000	157,500
250,000	75,000	100,000	125,000	150,000	175,000
300,000	90,000	120,000	150,000	180,000	210,000
350,000	105,000	140,000	175,000	210,000	245,000
400,000	120,000	160,000	200,000	240,000	280,000
450,000	135,000	180,000	225,000	270,000	315,000
500,000	150,000	200,000	250,000	300,000	350,000
550,000	165,000	220,000	275,000	330,000	385,000
600,000	180,000	240,000	300,000	360,000	420,000
650,000	195,000	260,000	325,000	390,000	455,000
700,000	210,000	280,000	350,000	420,000	490,000
750,000	225,000	300,000	375,000	450,000	525,000
800,000	240,000	320,000	400,000	480,000	560,000
850,000	255,000	340,000	425,000	510,000	595,000
900,000	270,000	360,000	450,000	540,000	630,000
950,000	285,000	380,000	475,000	570,000	665,000
1,000,000	300,000	400,000	500,000	600,000	700,000

Notes:

(1) The compensation covered by the S.I.P. for each of the named executive officers is based on their respective salaries and their respective bonuses shown in the Summary Compensation Table.

(2) The benefits under the BC TELECOM Plans are payable for a member's lifetime with a 60 per cent benefit payable to the surviving spouse. The benefits payable under the BC TELECOM Plans are not reduced by integration with the Canada Pension Plan or Old Age Security benefits.

The years of credited service as of December 31, 1998 for pension plan purposes for the named executive officers are as follows: Donald A. Calder, 27 years; C. Kenneth Crump, 24 years; and Ian D. Mansfield, 29 years.

TELUS Pension Plan Table

	Years of Credited Service				
Remuneration ($)	15	20	25	30	35
175,000	$ 49,179	$ 65,572	$ 81,965	$ 98,358	$ 114,751
200,000	56,679	75,572	94,465	113,358	132,251
225,000	64,179	85,572	106,965	128,358	149,751
250,000	71,679	95,572	119,465	143,358	167,251
300,000	86,679	115,572	144,465	173,358	202,251
350,000	101,679	135,572	169,465	203,358	237,251
400,000	116,679	155,572	194,465	233,358	272,251
450,000	131,679	175,572	219,465	263,358	307,251
500,000	146,679	195,572	244,465	293,358	342,251
550,000	161,679	215,572	269,465	323,358	377,251
600,000	176,679	235,572	294,465	353,358	412,251
650,000	191,679	255,572	319,465	383,358	447,251
700,000	206,679	275,572	344,465	413,358	482,251
750,000	221,679	295,572	369,465	443,358	517,251
800,000	236,679	315,572	394,465	473,358	552,251
850,000	251,579	335,572	419,465	503,358	587,251
900,000	266,679	355,572	444,465	533,358	622,251
950,000	281,679	375,572	469,465	563,358	657,251
1,000,000	296,679	395,572	494,465	593,358	692,251

This table reflects the annual pension benefit payable to senior executives from the TELUS pension plan and the supplemental retirement plan at normal retirement age of 65 or at any time after the early retirement age of 55 with at least 15 years credited service. The pension benefit is based on 1.4 percent of final average earnings ("FAE") that are less than the year's maximum pensionable earnings ("YMPE") and 2 percent of FAE over the YMPE, to a maximum of 35 years of service. For any service prior to 1966, the pension benefit is calculated at 2 percent of FAE. FAE is the average earnings of the highest five years of the last ten.

Effective January 1992, TELUS established a supplementary retirement plan applicable to any employee whose pension benefit accrued under the TELUS registered pension plan would exceed the maximum pension permitted by Revenue Canada. Amounts under the plan are payable at the time of termination of employment with TELUS in accordance with the terms of the TELUS pension plan. As of the merger with BC TELECOM, a change of control occurred and, pursuant to the terms of the plan, TELUS has funded the plan.

As at December 31, 1998, the years of credited service for each of the executive officers named in the Summary Compensation Table are as follows: George K. Petty, 4 years; Harry W. Truderung, 26 years; Gary W. Goertz, 5 years; and George N. Addy, 2 years.

Composition of the Compensation Committees

BCT.TELUS Committee

The Human Resources and Compensation Committee of the Board of Directors (the "BCT.TELUS Committee") is responsible for reviewing compensation programs for the Company's executive officers and making recommendations to the Board of Directors on such matters. The BCT.TELUS Committee is currently composed of Michael T. Masin (Chairman), Richard J. LeLacheur, Geraldine B. Sinclair, Norm Kimball and David L. Emerson. A majority of the members of the BCT.TELUS Committee are independent directors and none of the members are eligible to participate in any of the Company's compensation programs for employees.

BC TELECOM Committee

The following individuals served as members of the Human Resources and Compensation Committee of BC TELECOM (the "BC TELECOM Committee") during the year ended December 31, 1998: G. (Mel) Cooper (Chairman), Brian A. Canfield, Michael T. Masin, Pierre Choquette and Barbara J. Rae.

TELUS Committee

The following individuals served as members of the Compensation Committee of TELUS (the "TELUS Committee") during the year ended December 31, 1998: Richard J. LeLacheur (Chairman), Roy A. Bickell, Norm Kimball, Walter B. O'Donoghue and Esther S. Ondrack.

Reports on Executive Compensation

BCT.TELUS Report

The overall purpose of the BCT.TELUS Committee is to provide an appropriate compensation arrangement for the Company's executives such as to attract and retain the key talent necessary to achieve the business objectives approved by the Board and maximize shareholder value. In doing so, the objective is to provide a clear linkage between compensation and the achievement of business goals, both short-term and long-term, by determining the appropriate components of fixed compensation, compensation at risk and future income security.

Compensation Objectives and Principles

These objectives are met by periodically receiving recommendations from management as to the appropriate levels, supported through the expertise of outside consultants who conduct surveys and provide competitive data to form the basis for the levels established.

The BCT.TELUS Committee will approve from time to time a performance management system providing a direct linkage between short term and long-term compensation at risk and the execution strategies to achieve the goals of continuous growth, excellent customer service, operational excellence and providing a work place of choice.

Compensation Mix

The BCT.TELUS Committee relates total compensation levels for the executives to the compensation paid to executives of two comparator groups: Canadian telecommunications companies regardless of their size; and general Canadian industry with revenue similar to the Company's. The Company has the right to review and approve the selection of companies used for compensation comparison purposes. The key elements of the Company's executive compensation program are base salary, annual incentives, and long-term incentives. These key elements are addressed separately below in determining each component of compensation. The BCT. TELUS Committee will also consider all elements of an executive's total compensation including health and welfare benefits, retirement programs, perquisites and contractual arrangements for severance.

Base Salary

The BCT.TELUS Committee has adopted a market base pay approach to ensure adequate and competitive compensation and has targeted salaries to be about the 60th percentile of the comparator group. Base salaries are adjusted by the BCT.TELUS Committee to recognize varying levels of responsibility, prior experience, breadth of knowledge, internal equity issues, as well as the external pay practices of companies in the comparator groups.

At Risk Incentive Pay

The Committee is a proponent of directly attaching compensation to the ultimate achievement of business objectives. In this regard, two strategies have been adopted.

Annual Variable Reward Plan

This annual plan promotes the Company's pay for performance philosophy by providing executives with direct financial incentives in the form of an annual cash award based on the achievement of corporate and business unit performance goals. The actual achievement of annual business plans as reflected through performance measurement and quantifiable goals will ultimately determine the annual variable compensation to be received.

Based on an analysis of the risk ratio in the market place (pay at risk/pay not at risk) the BCT.TELUS Committee encourages an appropriate orientation for executives towards achieving the immediate synergies of BCT.TELUS. In each case, current market information was collected and the information was further quantified by matching it to the executives positions. On this basis, annual incentive targets were established bearing in mind the median of the comparable market rate.

Long-term Incentives

The long-term incentives will be provided pursuant to the Share Option and Compensation Plan. The value of long-term incentives was established using a similar methodology to annual incentives. The risk orientation of the comparator companies and positions were taken into account. The stated purpose of the plan is to align the shareholders' and executives' and non-employee directors' interests and provide incentive compensation based on the appreciation in value of the Common Shares and Non-Voting Shares. The strategy will concurrently through share options provide an opportunity for executives to acquire an increased proprietary interest in the Company. The amount and terms of any grant as determined by the BCT.TELUS Committee will be consistent with the overall compensation philosophy and objectives as set out above. Share options will be granted at an exercise price not less than the fair market value of the Common Shares on the date of the grant.

Supplemental Pension Plan

The Company, as a result of its predecessor's supplemental income plans, also provides supplemental pension benefits. Given the achievement of the retention strategies, these plans provide for an amount to be paid to a retired executive officer as a supplement to the amount payable under the existing pension arrangements. The supplemental retirement plans include consideration of total cash compensation and service in establishing the benefits payable at retirement.

Conclusion

The BCT.TELUS Committee believes these executive compensation policies and programs serve the interests of members effectively. The various components of pay offered are appropriately balanced to provide direction and motivation for the executives to contribute to the Company's overall success and to deliver the growth and synergy opportunities that drove the creation of the Company, thereby enhancing the value of the Company for the members.

Report presented by Michael T. Masin (Chairman), Richard J. LeLacheur, Geraldine B. Sinclair, Norm Kimball and David L. Emerson.

BC TELECOM Report

BC TELECOM's executive compensation program was administered by the BC TELECOM Committee, which was made up of five non-employee directors. The main purpose of the BC TELECOM Committee was to establish and implement a plan for executive succession, continuity and compensation.

The BC TELECOM Committee developed and recommended to the board for approval the BC TELECOM's executive compensation policy and guidelines and its decisions regarding the compensation paid to the executive management. The BC TELECOM Committee oversaw the terms of reference and selection of outside consultants to review executive compensation policies for BC TELECOM. Recommendations for changes to the policies were reviewed on a regular basis to ensure they remain current, competitive and consistent with BC TELECOM's overall goals.

Compensation Objectives and Principles

The guiding principles of the BC TELECOM Committee in determining executive compensation were to provide competitive compensation packages to attract, motivate and retain the most qualified executives who would enhance the growth and profitability of BC TELECOM. The executive compensation plan that was in place created strong links between executive compensation and the BC TELECOM strategic objectives. It also focused on optimizing the balance between short term and long-term objectives.

The BC TELECOM Committee relied on the expertise of outside consultants to conduct surveys and provide competitive data which formed the basis for compensation levels paid. The salary ranges and structure, including the incentive components, were based on market analysis carried out each year and reflected competitive practices in the marketplace.

The BC TELECOM Committee positioned its executive compensation at or near the median of the range of compensation levels for comparator companies. BC TELECOM's executive compensation program in 1998 had four components: base salary, at risk incentive pay (an annual plan, a medium term plan and share options), supplemental pensions and perquisites.

Base Salaries

Since 1996, a broad band approach had been applied to cover base salaries for all management employees, including the executives. The objective was to enhance BC TELECOM's ability to compare itself accurately to the external market. With the band structure, a base salary range was established for each executive position within the appropriate band, based on market information provided to the BC TELECOM Committee by outside consultants.

At Risk Incentive Pay

The BC TELECOM Committee had determined that the incentive component of executive compensation should be closely linked to the achievement of longer term strategic objectives and creation of shareholder value, in addition to the shorter term inherent in the existing variable reward plan.

As a result, three components of incentive compensation were established: one component that was linked to the achievement of annual objectives (the "Annual Variable Reward Plan"), a second component that was linked to the achievement of three year objectives (the "Medium Term Variable Reward Plan"), and a third component that was linked to the longer term performance of BC TELECOM (the "Share Option Plan"). The addition of the Medium Term Reward Plan in 1997 reduced the portion of compensation provided through share options and did not increase total compensation.

i) Annual Variable Reward Plan

The Annual Variable Reward Plan was based upon the balanced scorecard, which was introduced in 1994 as a measurement tool to ensure rigor in the variable component of the executive compensation plan (the "Balanced Scorecard"). The Balanced Scorecard was divided into four quadrants, which ensure that executives set annual objectives that recognize BC TELECOM's three key stakeholders — shareholders, customers and employees — while also positioning the organization for new revenue growth. Incentive pay under the Annual Variable Reward Plan was linked to meeting specific objectives in each of these four quadrants.

A target level of incentive pay under this plan was based upon a percentage of each executive's base salary. The target level for each executive ranges from a low of 30 per cent of his or her base salary to a high of 60 per cent, dependent upon the size, complexity and scope of their respective portfolios.

At the beginning of each year, specific objectives for each quadrant of the Balanced Scorecard were established for each executive. In addition, stretch objectives were set that, if met, could result in a payout multiplier of up to two times each individual's target level. The objectives, along with their corresponding multiplier, were reviewed and approved by the BC TELECOM Committee.

ii) Medium Term Variable Reward Plan

The BC TELECOM Committee sought the advice of its consultants to determine the appropriate proportion of total compensation to be at risk under this plan and the appropriate form for payment of the compensation that was to be earned under the plan.

Based on the consultant's examination of total compensation in the market, it was concluded that the target level of at risk incentive compensation for an executive under this plan should range from a low of 20 per cent of his or her base salary to a high of 50 per cent dependent on the size, complexity and scope of the executive's portfolio.

At the beginning of each year, a three year plan was established which specified financial objectives related to shareholder value that were to be achieved by the executive team during the ensuing three year period. The objectives measure — over the three year period — growth in earnings before interest, taxes, depreciation and amortization (EBITDA), net income, revenue, return on investment (ROI) and ranking of growth in total shareholder value compared to comparator companies. The level of compensation payable at the end of each three year plan depended on the success of the executive team in cumulatively achieving the financial objectives that were set out three years earlier.

Payout under the first three year plan (for the period 1997-1999) was not to occur until the end of 1999 (payment was to be made in the first quarter of 2000). Therefore, a two year transition plan was implemented by the BC TELECOM Committee under which executives were to be compensated under the plan at the end of 1997 and 1998 on the basis of achievement by the team of one year and two year financial objectives approved in 1997.

The compensation under the Medium Term Variable Reward Plan could be paid to the executive in the form of deferred share units ("DSUs") or Common Shares of BC TELECOM. A DSU is a bookkeeping entry, equivalent to the value of a Common Share on the day prior to the grant date, credited to an account to be maintained for the individual executive until retirement. An executive holding DSUs would also be credited with an amount equal to dividends paid on the equivalent number of Common Shares which would be applied to the credit of DSUs at the market price of Common Shares on the day prior to the payment of such dividends. On retirement an executive would be entitled to receive an amount equal to the number of DSUs credited to the executive multiplied by the then current market price of the Common Shares of BC TELECOM, payable within one calendar year following the year of retirement.

An executive could elect to take payment under the Medium Term Variable Reward Plan in the form of Common Shares of BC TELECOM once he or she has achieved and continued to hold the ownership target appropriate to his or her executive position. Ownership targets ranged from 1 to 2.5 times annual base salary.

The two year transition DSU plan mentioned above was cashed out effective in December, 1998. All remaining DSUs outstanding under the Medium Term Variable Reward Plan were cashed out effective January 31, 1999, as a result of the Plan of Arrangement, to ensure continuing executives were compensated on the same basis.

iii) Share Option Plan

The BC TELECOM Share Option Plan provided for long-term variable compensation through the grant share options, in tandem with share appreciation rights ("SARs") and retention options to executives. The amount of the grant was determined by the individual executive's role in achieving longer-term results. The BC TELECOM Share Option Plan created another direct link between the creation of shareholder value and individual executive performance.

An in tandem SAR granted under the BC TELECOM Share Option Plan permitted the optionee to receive the value of the appreciation in the share option to which the SAR is associated without actually exercising the option. The in tandem SAR could not be exercised unless the option to which it is associated was exercisable. The exercise of the SAR cancelled the optionee's right to exercise the associated option and vice versa. Retention options provided the optionee with an additional option to acquire the same number of shares acquired upon exercise of the initial option at a market price determined at the time the initial option was exercised and was exercisable after three years from the date the initial option was exercised, provided that the optionee continued to hold the initial shares acquired on the exercise of that initial option.

Grants of share options and SARs were based on the market price of BC TELECOM's Common Shares on the day preceding the date of the grant. Options/SARs were granted for terms of up to ten years. Options granted under the BC TELECOM Share Option Plan in 1998 were exercisable as to 33⅓ per cent of the shares granted after the first year, 33⅓ per cent of the shares granted after the second year and 33⅓ per cent of the shares granted after the third year.

In December, 1998, the BC TELECOM Share Option Plan was amended, with stock exchange approvals, to eliminate all SARs.

Compensation for Donald A. Calder

The principles for establishing, measuring and determining the compensation of the Chief Executive Officer were identical to those established for the other executives of BC TELECOM, including the named executive officers from BC TELECOM in the Summary Compensation Table. The target level of the incentive pay for Mr. Calder was 60 per cent of base salary under the Annual Variable Reward Plan and 50 per cent under the Medium Term Variable Reward Plan. 60 per cent of the amount payable under the Annual Variable Reward Plan was based on financial objectives, a further 20 per cent was based on organizational objectives related to restructuring of BC TELECOM and the executive team, and the final 20 per cent was based on personal performance. The objectives were set at mid-year 1997 when Mr. Calder became Chief Executive Officer. All of the objectives established under both plans were exceeded in 1998.

Report presented by:

G. N. (Mel) Cooper (Chairman)	Pierre Choquette
Brian A. Canfield	Michael T. Masin

TELUS Report

The TELUS Committee utilized the services of outside consultants and independent compensation data in determining appropriate compensation levels for its executive officers including the President and Chief Executive Officer. The TELUS Committee adopted an executive compensation philosophy statement to assist in its evaluation and application of the executive compensation program. This philosophy also provided guidance to the design and application of compensation programs throughout the organization.

The primary objective of the executive compensation program was to promote the attainment of the TELUS business goals and to enhance its competitive position through a clear linkage of executive compensation to results.

In support of this objective, the philosophy further stated:

- plans would be competitive, cost effective and provide an appropriate standard of living and security;
- pay for performance would be an underlying theme for all components of the program;
- variable compensation plans would be emphasized and every executive would have a substantial component of pay at risk relative to attainment of specific performance targets;
- total direct compensation would be measured against compensation levels within a competitive group such that the program would offer executives the opportunity to earn above average pay for outstanding performance;
- long-term incentives would be linked to TELUS Common Share performance and the factors which contribute to sustainable increases in shareholder value; and
- executives would be expected and encouraged to maintain share ownership in TELUS.

Individual executive officer compensation was composed of cash, which included base salary plus a variable component, and long-term incentives in the form of stock options and performance share units. Total compensation for a position was based upon a periodic evaluation of the responsibilities of that position and an annual review of market data for comparable positions in other companies. The companies included in the sample from which the market data was obtained included those in the same or similar businesses and those of comparable size. The total compensation package for each individual was compared to compensation levels as indicated by market data obtained from the review with the intention that general market comparability be maintained. The objective of TELUS was to pay base salary at the 60th percentile when compared to market with the potential, through payment of the variable component, to pay total compensation in the top quartile of the market when results warranted.

Cash Compensation

Base salaries were reflective of the particular job responsibilities of an executive officer. Market related base salaries were used as reference points for establishing base salary ranges for particular job functions. Individual base salaries were dependent upon experience levels, actual job responsibilities and market comparability.

The TELUS Committee has placed a significant emphasis on the variable "at risk" component for compensation. Each year in conjunction with the strategic and operating plans of TELUS, the TELUS Committee established performance targets in the areas of financial results and customer satisfaction from which the amount of variable compensation payable to executive officers was derived. Upon satisfactory achievement in all areas of measurement, an individual's variable compensation would be payable at the designated percentage for that position.

Long-Term Incentive

TELUS long-term incentive arrangement was designed to promote sustainable increases in shareholder value by linking the interests of TELUS executive officers to those of the shareholders. Additionally, provisions were in place to increase the level of share ownership by executive officers by facilitating the acquisition and retention of Common Shares of TELUS.

To accomplish these goals, the TELUS Executive Stock Option Plan was approved by the shareholders of TELUS on May 2, 1991. The number of options granted under the plan took into account the type of businesses in which TELUS was engaged, market comparability and the present value attributable to such options. Generally options were granted annually to executive officers in amounts based on position seniority. Options were granted at the fair market value as at the date of the grant. TELUS normally granted options to purchase Common Shares to its executive officers and selected senior managers as part of its annual compensation review of key employees. These options had a seven year term and vested over three years.

To further accomplish these goals, a Performance Share Unit Plan for executives of TELUS was implemented in 1998. Under such plan, participating employees received units which, at the end of the performance period entitled them to receive Common Shares determined in accordance with the plan. At the end of the performance period, units held in the participant's account were adjusted up or down to reflect total shareholder return performance of TELUS relative to the total shareholder return performance of the peer group of companies selected by the Board of Directors of TELUS at the time of the grant. On the expiry of the performance period, the participant was entitled to receive one Common Share for every vested unit held in the participant's account, as determined in accordance with the plan. All outstanding units under the plan were cashed out at the present value as of the date of grant, as a result of the Plan of Arrangement, on February 9, 1999, to ensure continuing executive officers were compensated on an equal basis.

TELUS also granted options with a term of 60 days to certain of its executive officers in February 1993, April 1994 and February 1995. Executive officers who exercised these options were loaned funds by TELUS to purchase the Common Shares. The loans were interest free and repayable at any time within five years. The Common Shares were held as security for the loan and all dividends paid thereon were utilized to reduce the balance of the outstanding loan. There are currently only two executive officers with such loans outstanding for a total of $64,100 owing to TELUS as of February 28, 1999. As a result of the Plan of Arrangement, the loans are now secured with the BCT.TELUS Common Shares and Non-Voting Shares received on transmission of the original TELUS Common Shares.

The TELUS Committee viewed the combination of the above grants as providing encouragement for long-term management continuity and providing the appropriate balance between reward for share appreciation and risk to the participants. The TELUS Committee further viewed these long-term incentives as consistent with market practice and as an effective means to align the interest of management and shareholders.

Compensation for George K. Petty

The principles for establishing, measuring and determining the compensation of the Chief Executive Officer were identical to those established for other executives of TELUS, including the named executive officers from TELUS in the Summary Compensation Table. The target level of the variable pay for G.K. Petty was 60 per cent of the base salary. 100 per cent of the amount payable under the Variable Pay Plan was based on financial objectives and all objectives established under the plan were exceeded in 1998.

Report presented by:
Richard J. LeLacheur (Chairman)
Norm Kimball
Walter B. O'Donoghue

Employment Agreements

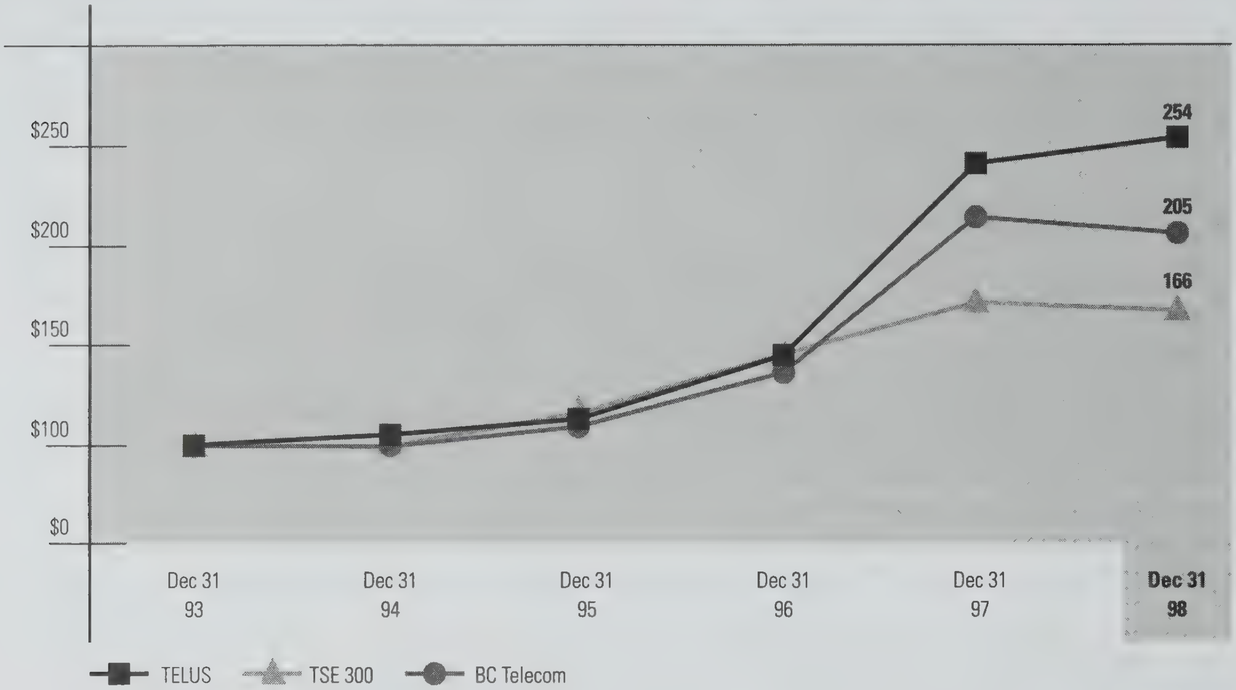
The President and Chief Executive Officer and other senior executive officers of TELUS (including the continuing executive officers formerly with TELUS named in the Summary Compensation Table) were entitled to a specified severance payment if their employment was terminated for other than just cause, disability or death, at any time within 30 months following a change of control of TELUS. The payment obligation can also be triggered by the executive officer terminating his employment for any reason within six months following a change of control. The severance payment in such event, in the case of the President and Chief Executive Officer, is an amount equal to 3 times his annual compensation and, in the case of other executive officers, is an amount equal to 2.5 times their annual compensation. Certain former TELUS executives leaving the organization as a result of the Plan of Arrangement will collect under the TELUS change of control policy. Continuing executive officers will also continue to have benefits under the TELUS change of control policy with respect to the Plan of Arrangement.

BC TELECOM entered into agreements dated as of September 10, 1997 with each of the named executive officers formerly with BC TELECOM which include provisions respecting the termination of their employment within 24 months of a change of control of BC TELECOM or BC TEL. The agreements provide that if the employment of any of these executives is terminated at any time other than for just cause or by reason of death, disability or retirement, the executive will be paid a severance payment which in the case of the President and Chief Executive Officer will be equal to 2.5 times the aggregate annual compensation and incentive compensation being paid to him at the time of termination, and in the case of the other named executive officers, equal to 2 times the annual compensation and other incentive compensation paid to them at the time of termination. Certain former BC TELECOM executives leaving the organization as a result of the Plan of Arrangement will collect under the BC TELECOM Policy. Continuing executive officers will continue to have benefits under the BC TELECOM Policy with respect to the Plan of Arrangement.

The following executive officers, George K. Petty, Gary W. Goertz, George N. Addy, James L. Grey, Ian D. Mansfield, Paul D. Smith, James W. Peters, and Harry W. Truderung, will be entitled to severance benefits under a change of control policy approved by the Board of Directors of the Company on March 10, 1999 entitling the President and Chief Executive Officer to 2.5 times his annual salary and the other executive officers to 2 times their annual salary. Annual salary shall include base pay plus average annual incentive compensation."Change of Control" is defined to include the acquisition of 20 percent or more of the Common Shares by a third party, other than GTE, the acquisition by GTE of 50 percent or more of the Common Shares, and as otherwise determined by the Board of Directors in certain situations. Any executive claiming benefits under the change of control policy of the Company is precluded from claiming severance benefits under the policies of the predecessors.

Performance Graph

The following graph compares the yearly change over the last five years in the cumulative total shareholder return on the Common Shares of TELUS and BC TELECOM with the cumulative total return on the TSE 300 Stock Index, assuming a $100 investment on December 31, 1993 and reinvestment of dividends.



	Dec 31, 1993	Dec 31, 1994	Dec 31, 1995	Dec 31, 1996	Dec 31, 1997	Dec 31, 1998
TELUS	100	105	112	146	241	254
TSE 300	100	100	114	147	169	166
BC TELECOM	100	100	109	136	212	205

Compensation of Directors

BCT.TELUS Directors

Each director of the Company who is not an officer of the Company receives an annual fee for acting as a director, plus a further fee for each Board meeting attended. Effective February 1, 1999, these fees were set at $20,000 and $1,100, respectively. Chairs of committees receive a further annual retainer fee of $5,000 and meeting fees of $1,100 for each committee meeting attended. Committee members receive an annual retainer fee of $2,000 and meeting fees of $1,100 for each committee meeting attended. Directors who are requested by the Chairman to perform additional tasks or assignments on behalf of the Board are entitled in certain circumstances to receive an additional $1,100 per diem fee for such services.

In lieu of the compensation set out above in 1999, Mr. Brian A. Canfield, the Chairman of the Company, will receive an annual retainer of $175,000.

The Board concurs with the position of the TSE as set out in its Report on Corporate Governance regarding the remuneration of directors in the form of shares. On March 10, 1999, the directors adopted a Share Option and Compensation Plan. Pursuant to such plan, all outside directors who have not acquired the minimum equity ownership level of Common Shares, Non-Voting Shares or deferred share units having a market value of $100,000 will receive at their option a minimum of: their annual board retainer (less required withholdings) in Common Shares or Non-Voting Shares or their annual board retainer in the form of deferred share units. Any Common Shares or Non-Voting Shares will initially be purchased in the market on a quarterly basis by Montreal Trust Company of Canada, as purchasing agent.

On March 10, 1999, pursuant to the Share Option and Compensation Plan as set out in Schedule "B" hereto, subject to all necessary regulatory and member approvals, each outside director, other than Brian A. Canfield, was granted 2,000 stock options at an option price of $37.40 being the fair market value determined as of the date of grant. The 1999 stock option grant, which reflects an estimated present value of $20,000 determined by the Black Scholes method, includes a one time special grant with an estimated present value of $10,000, in addition to the annual grant.

In addition to the compensation set out above, Brian A. Canfield, the Chairman of the Company, subject to all necessary regulatory and shareholder approvals, was granted 4,000 stock options at an option price of $37.40 being the fair market value determined as of the date of grant, March 10, 1999. The 1999 stock option grant to the Chairman, which reflects an estimated present value of $40,000 determined by the Black Scholes method, includes a one time special grant, with an estimated present value of $20,000, in addition to the annual grant.

BC TELECOM Directors

The following table describes the arrangements under which directors of BC TELECOM who were not employees were compensated during the year ended December 31, 1998.

Board		
Members' Quarterly Retainer Fee	$	3,500
Members' Per Diem Meeting Fee	$	1,000
Chairman's Per Diem Meeting Fee	$	NIL
Committees		
Members' Annual Retainer Fee	$	2,000
Members' Per Diem Meeting Fee	$	1,000
Chairman's Quarterly Retainer Fee	$	1,000
Chairman's Per Diem Meeting Fee	$	1,000

The fees of those directors of BC TELECOM who were also directors of BC TEL were paid as to 50 per cent by each corporation. Directors also received reimbursement for out-of-pocket expenses.

Under the BC TELECOM Directors' Share Compensation Plan (the "BC TELECOM Directors' Plan"), implemented in 1997, each director of BC TELECOM received an initial grant of $10,000 when he or she became a director and an annual grant of $10,000 (or a pro rata equivalent if the director was a member for any partial year). The directors were entitled to elect to have any of such grants applied to the purchase by BC TELECOM in the market of BC TELECOM Common Shares or credited as deferred share units ("DSUs"). Directors were also entitled to elect to have all of their meeting fees or retainer fees applied to the purchase of BC TELECOM Common Shares in the market or credited as DSUs. A DSU is a bookkeeping entry, equivalent to the value of a Common Share on the day prior to the grant date, credited to an account to be maintained for the individual director until retirement. A director holding DSUs would also be credited with an amount equal to dividends paid on the equivalent number of BC TELECOM Common Shares which will be applied to the credit of DSUs at the market price of BC TELECOM Common Shares on the day prior to the payment of such dividends. On retirement a director would be entitled to receive an amount equal to the number of DSUs credited to the director multiplied by the then current market price of the BC TELECOM Common Shares. Under the terms of the BC TELECOM Directors' Plan, the board of directors was to establish an ownership target for BC TELECOM Common Shares and/or DSUs to be held by each individual director. In 1998 that target was set at BC TELECOM Common Shares and/or DSUs valued at $100,000. It was anticipated that such an ownership target would be reached by BC TELECOM directors within five years. All DSUs under the BC TELECOM Directors' Plan were cashed out and paid as of January 31, 1999, as a result of the Plan of Arrangement.

TELUS Directors

Each director of TELUS who was not an officer of TELUS received an annual retainer for acting as a director, plus a further fee for each board meeting attended. For the year ended December 31, 1998, these fees were set at $15,000 and $1,000, respectively. Chairs of committees received a further annual retainer fee of $2,000 and meeting fees of $1,500 for each committee meeting attended. Committee members received $1,000 for each committee meeting attended, provided that such members were not officers of TELUS. Directors who were requested to perform additional tasks or assignments on behalf of the board were entitled in certain circumstances to receive an additional $1,000 per diem fee for such services. The fees of those directors of TELUS who were also directors of TELUS Communications Inc. were paid as to 50 per cent by each corporation.

Pursuant to a share compensation plan implemented in 1996, outside directors received one half of their annual retainer in TELUS Common Shares. Such shares were priced at fair market value and issued from treasury on a quarterly basis. The maximum number of shares available for issue under that plan was set at 100,000 in 1997. Each outside director acquired 212 TELUS Common Shares pursuant to this plan in 1998.

Pursuant to a stock option plan implemented in 1997, each outside director other than Mr. James S. Palmer, was granted 1,200 stock options at an option price of $32.90, being the fair market value of TELUS Common Shares determined as of February 10, 1998, the date of the grant.

In addition to the compensation set out above, Mr. James S. Palmer, the Chairman of TELUS in 1998, received an annual retainer of $125,000 and 6,000 options granted at a value of $32.90 per share, being the fair market value determined as of February 10, 1998, the date of the grant, pursuant to the TELUS Executive Stock Option Plan.

Directors' and Officers' Insurance and Indemnification

To the extent permitted by law, the Company has entered into an indemnification agreement with each of its directors and officers. The Company, together with all affiliates of GTE Corporation, has directors' and officers' liability insurance which, subject to the provisions and exclusions contained in the policy, protects the directors and officers, as such, against any claims made during the term of their office against any of them for a wrongful act, provided they acted honestly and in good faith with a view to the best interest of the Company. Such insurance provides for a total of U.S.$150 million coverage for both directors and officers as a group. The policy carries a U.S.$250,000 per event deductible for each claim made under the indemnification liability coverage of the Company. A separate deductible of U.S.$1,000,000 per event applies to any action brought by GTE Corporation.

Indebtedness of Directors, Executive Officers and Senior Officers

As at February 28, 1999, the aggregate amount of indebtedness incurred to the Company or any of its subsidiaries in connection with purchases of securities of the Company or any of its subsidiaries (other than "routine indebtedness" as defined under applicable Canadian securities laws), by all directors, officers, employees and former directors, officers and employees of the Company or any of its subsidiaries amounted to $65,250. The following table sets out the indebtedness incurred by executive officers and senior officers of the Company in connection with purchases of securities of the Company and TELUS.

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest $ Amount Outstanding During Year Ended Dec 31, 1998	$ Amount Outstanding as at Feb 28, 1998	Financially Assisted Securities Purchases During Year Ended Dec 31, 1998 (#)	Security for Indebtedness
G.W. Goertz Executive Vice-President, Finance and Chief Financial Officer, TELUS	TELUS as Lender	$ 39,150	$ 38,460	NIL	BCT.TELUS 1749 Common 582 Non-voting
J.M. Drinkwater Vice-President and Treasurer, TELUS	TELUS as Lender	$ 26,100	$ 25,640	NIL	BCT.TELUS 1,166 Common 388 Non-Voting

Note: All of the indebtedness referred to in the above table was incurred in February, 1995 by the above named officers in connection with the exercise of stock options. See "Reports on Executive Compensation – TELUS Report – Long-Term Incentive". The loans are interest free and repayable at any time within five years of the date of advance. The Common Shares of TELUS purchased with the proceeds of the loan advances were converted into Common Shares and Non-Voting Shares pursuant to the Plan of Arrangement and are held as security.

Interest of Certain Persons in Matters to be Acted Upon

The executive officers of the Company have received options pursuant to the proposed Share Option and Compensation Plan, subject to regulatory and shareholder approval. Non-employee directors of the Company have also received options pursuant to such plan, subject to regulatory and shareholder approval. As described elsewhere in this Information Circular, eight executive officers and one designated employee of the Company have been granted options to purchase a total of 225,850 Common Shares at exercise prices of $37.40 per Common Share and 15 directors of the Company have been granted options to purchase a total of 32,000 Common Shares at exercise prices of $37.40 per Common Share. The issue of Common Shares upon exercise of such options is conditional upon the approval by the holders of Common Shares of the Share Option and Compensation Plan.

Additional Matters and Information

Additional information about the Company will be contained in the Company's 1999 Annual Information Form, the unaudited combined consolidated financial report of the Company for the year ended December 31, 1998 and the audited consolidated financial statements of each of BC TELECOM and TELUS for the year ended December 31, 1998. Copies of these documents are available upon request from the Vice-President and Corporate Secretary of the Company at 21st Floor, 3777 Kingsway, Burnaby, British Columbia V5H 3Z7.

Board Approval

The Board of Directors has approved in substance the contents of this Information Circular and the sending of this Information Circular to the holders of Common Shares and Non-Voting Shares.

Certificate

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

George K. Petty
President and
Chief Executive Officer

Gary W. Goertz
Executive Vice-President,
Finance and Chief Financial Officer

Schedule "A"

TSE Corporate Governance Committee Guidelines	Comments
1. The board should explicitly assume responsibility for stewardship of the Corporation	• The Board of Directors has assumed responsibility for the stewardship of the Company by overseeing the management and operations of the business of the Company and supervising management, which is responsible for the day-to-day conduct of the business. The board policy manual and the terms of reference of the Board of Directors and individual directors set out the purpose, procedure and organization, and responsibilities and duties of the Board and its committees.
Specifically, the board should assume responsibility for:	
a. adoption of a strategic planning process	• The Board has assumed responsibility for ensuring there are long-term goals and strategies in place for the Company, such goals and strategies will be prepared and reviewed by management with the Board on an annual basis and are a component of the Board's annual agenda. • The Strategic Policy Committee of the Board and, the Board as a whole, participate in discussions on corporate strategy, and if appropriate, approve the strategies and implementation plans recommended by management. • One extensive two day board planning session will be held annually. The first comprehensive and interactive strategic planning session with senior management and external advisors is scheduled for June, 1999. • In addition, the Board provides periodic guidance throughout the year in the development of corporate strategies based on the strategic plan and annual business plans and each quarter monitors the performance of management in relation to the strategic and operational objectives set out in the annual budget.
b. identification of principal risks and the implementation of appropriate risk-management systems	• The Board has assumed the responsibility for identification of the principal risks of the Company's business and for ensuring the implementation of appropriate systems to manage these risks, as set out in its terms of reference. • The Board determines the principal risks associated with Company business based on its knowledge of the telecommunications industry, the regulatory and competitive environment, general economic conditions, and information provided by management. • Various committees of the Board implement and monitor the systems in place to address such risks. The Audit Committee reviews and monitors risk management systems, environmental health and safety issues, disaster recovery plans, financial derivative exposure and insurance coverage. The Board has identified Year 2000 compliance as

a principal risk to the telecommunications industry and reviews and monitors the Company's activities and progress in this area.

- The BCT.TELUS executive also reviews the status of Year 2000 readiness on a regular basis and provides briefings to the Board at board meetings on a quarterly basis. The Audit Committee will also review the progress of the Year 2000 Program at each Audit Committee meeting and provide action plans for any items which are unsatisfactory to the Committee.

c. **succession planning and monitoring senior management**

- The Human Resources and Compensation Committee periodically reviews the Company's organizational plan and structure and annually reviews the senior executive succession plan, recommending the same to the Board for approval.
- The Human Resources and Compensation Committee reviews annually or more frequently as required, succession plans for executive management and senior management, including specific development plans and career planning for potential successors.
- Succession planning is one of the written objectives of the Chief Executive Officer. The Chief Executive Officer will present to the Board, on an annual basis, a plan for senior management succession and development.
- The performance of executive management is annually measured against pre-set objectives.

d. **communications policy**

- The Board has implemented appropriate structures to ensure complete, timely and effective communications between BCT.TELUS, its members, the public and regulatory agencies.
- Through the Audit Committee all public financial information is reviewed and recommended to the Board for approval prior to its release.

e. **integrity of internal control and management information systems**

- The Board ensures the integrity of internal control and management information systems through its delegation to various committees.
- The Audit Committee reviews and approves methods of controlling corporate assets and information systems and oversees the financial reporting process in accordance with Canadian general accepted accounting principles.

2. **Majority of directors are "unrelated"**

- An "unrelated" director under the guidelines is:

1. independent from management;
2. free from any interest and any business or other relationship which could materially interfere with his or her ability to act in the best interests of the Company; and

3. able to exercise objective judgment, independent from management.

- On rigorous application of this definition, 11 of the 16 proposed directors of the Company are unrelated to the Company.

3. Disclose whether each director is "unrelated"

- B.A. Canfield (Chairman), G.K. Petty (President and Chief Executive Officer), M.T. Masin, F.F. Salloum and W.B. O'Donoghue are considered related board members. If elected at the Meeting, Messrs. Canfield, Petty, Masin, Salloum and O'Donoghue will be the only directors who are not unrelated directors.
- The remainder of the present directors and nominees for election to the Board at the Meeting are unrelated. Additional disclosure on board members, with respect to their business experience and backgrounds, can be found in the Annual Information Form and Annual Report of the Company.

4. Appoint a committee responsible for appointment/assessment of directors, composed of a majority of unrelated directors

- The Corporate Governance Committee, all of whose members are unrelated except for B.A. Canfield, is required to assess and make recommendations regarding board effectiveness and to establish a process for identifying, recruiting, appointing, reappointing and providing ongoing education and development, for directors.
- The Corporate Governance Committee will annually review and recommend to the Board for approval annually the long-term plan for composition of the Board of Directors taking into consideration the current strengths, skills and experience on the Board, appropriate retirement criteria and the strategic direction of the Company.
- Terms of reference relating to director criteria and the search process have been included in the board policy manual.

5. Implement a process for assessing the effectiveness of the board, its committees and individual directors

- The Corporate Governance Committee, in conjunction with the Chairman of the Board, will carry out an annual assessment process, including a questionnaire whereby the effectiveness of the Board as a whole and individual directors will be monitored, board processes are reviewed, and the Board's relationship with management is assessed.
- Individual director evaluation also takes place as part of the nominating process conducted annually by the Corporate Governance Committee, in conjunction with the Chairman of the Board.

6. Provide orientation and education programs for new directors

- Management will prepare and maintain a "Director's Policy Manual" to assist new and existing board members, which is subject to periodic review and approval by the Corporate Governance Committee and the Board and updated from time to time.
- The Corporate Governance Committee will review, approve and report to the Board on the directors orientation processes and annual plans for the ongoing development of existing board members.
- The President and Chief Executive Officer, in conjunction with the Chairman of the Board, will periodically select special educational topics for presentation and discussion at board meetings or seminars, which deal with the business and regulatory environment, new technology and the telecommunications industry.

7. Consider reducing size of board, with a view to improve effectiveness

- An appropriate number of Board members presenting a diversity of views and business experience must be elected to ensure the Board functions effectively. The Corporate Governance Committee will review and recommend to the Board for approval the long-term plan for board composition and will approve director nomination criteria to ensure the appropriate diversity of business experience.
- The current Board includes equal representation from the previous boards of BC TELECOM and TELUS.
- The Board currently believes 16 is the appropriate number of directors, as set out in the Articles of the Company.

8. Review compensation of directors in light of risks and responsibilities

- The Corporate Governance Committee reviews and recommends to the Board the compensation and benefits of board members. In this regard, the Committee analyses, market data, time commitments, fees payable by other similar organizations and the responsibilities of directors in general.
- The Company intends to also ensure that directors' compensation aligns the Board with the interests of members, through the promotion of increased share ownership and performance based long-term incentive compensation.
- The Board has approved a minimum equity ownership level for directors of $100,000 to be acquired within five years of joining the Board. In furtherance of this objective, the Company has adopted a Share Option and Compensation Plan, pursuant to which a minimum of the annual board retainer will be directed to the purchase of BCT.TELUS shares or paid in the form of deferred share units, until the appropriate level is reached, based on the recommendation of the Corporate Governance Committee. Pursuant to the Share Option and Compensation Plan, which is subject

	to regulatory and member approval, a portion of the total annual directors' compensation will be delivered through stock options, the value of which is determined by market factors.
9. Committees should generally be composed of non-management directors and the majority of committee members should be unrelated	• BCT.TELUS believes composition of committees is a key determinant to board independence. • All of the committees of the Board are composed entirely of outside directors and all committees consist of a majority of unrelated directors. • The Chief Executive Officer attends all committee meetings, but is not a voting member. The Chairman is a member of the Corporate Governance Committee and may also attend all other committee meetings.
10. Appoint a committee responsible for determining the Corporation's approach to corporate governance issues	• The Corporate Governance Committee is responsible for governance issues, including recommending to the Board for approval the Company's disclosure in response to the guidelines, an annual review of all terms of reference, periodic review of Board and committee composition and ensuring on behalf of the Board that the corporate governance system effectively supports the discharge of its obligations to the members of the Company.
11. Define limits to management's responsibilities by developing mandates for:	
a. the board	• The Board has a broad responsibility for supervising the management of the business and affairs of the Company. This is reflected in its Terms of Reference. The Board has approved a framework for delegation from the Board to executive management.
b. the Chief Executive Officer	• There are terms of reference for the President and Chief Executive Officer. As well, his annual performance objectives, which are reviewed and approved by the Board, will constitute his mandate and further define the responsibilities of management. • The Board will review the performance of the Chief Executive Officer against such annual objectives.
12. Establish procedures to enable the board to function independently of management	• The Corporate Governance Committee is responsible for putting structures and processes in place to ensure the Board can function independently. • The Board holds a session without management present at each board meeting. • The independence of the Board is further enabled through the separation of the positions of Chairman and Chief Executive Officer.

- Each of the committees has specific authority to retain external advisors, as appropriate (at the expense of the Company) upon notice to the Chair of the Corporate Governance Committee.
- Members of the Board can request at any time, through the Corporate Governance Committee, a meeting restricted to outside members of the Board for the purpose of discussing matters independently of management.

13. **Establish an Audit Committee with a specifically defined mandate, with all members being outside directors**

- The Audit Committee, which is composed entirely of outside directors, is responsible for reviewing audit functions and the preparation of financial statements, and reviewing and recommending for approval to the Board all public disclosure information such as financial statements, quarterly reports, financial news releases, annual information forms, management's discussion and analysis and prospectuses.
- It also ensures that management has effective internal control systems and an appropriate relationship with the external auditors and meets regularly with them, without management present.

14. **Implement a system to enable individual directors to engage outside advisers, at the Corporation's expense**

- In addition to the authority of committees to retain external advisors in connection with their responsibilities, individual directors may engage outside advisors at any time (at the expense of the Company), subject to the approval of the Corporate Governance Committee, to provide advice with respect to a corporate decision or action.

Schedule "B"

BCT.TELUS Communications Inc.
Share Option and Compensation Plan

Article 1

Purpose of Plan

1.1 The purpose of the Plan is to assist non-employee directors officers and designated employees of the Company and its Subsidiaries to participate in the growth and development of the Company and its Subsidiaries by providing such persons with the most opportunity, through share options and other rights with respect to compensation to: acquire an increased proprietary interest in the Company; align shareholders' and directors' and executives' interests; and provide incentive compensation to such persons based on the appreciation in the value of the Shares of the Company.

Article 2

Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

2.1 "Annual Notice" shall have the meaning set forth in Section 8.1;

2.2 "Annual Retainer" means the aggregate annual dollar amount, fixed from time to time by the Board, payable to each Non-Employee Director as a retainer for services as a director, committee member, or committee chair or payable to the Chairman of the Board for services;

2.3 "Average Cost" means the total cost of the acquisition of Shares on the Stock Exchange, divided by the number of Shares acquired;

2.4 "Board" means the board of directors of the Company;

2.5 "Business Day" means any day, other than a Saturday or a Sunday, on which the Stock Exchange is open for trading;

2.6 "Committee" means either the HRC Committee or the Governance Committee, as the case may be;

2.7 "Common Shares" mean the Common Shares without par value in the capital of the Company or, in the event of any adjustment as provided in Article 9 hereof, such shares or securities as a person shall be entitled to or provided with herein;

2.8 "Company" means BCT.TELUS Communications Inc., and includes any successor corporation thereto;

2.9 "Deferred Share Unit" means the right to receive equivalent value of Common Shares in an account maintained for the Non-Employee Director and to receive the Market Price upon termination as provided in Section 8.8 hereof, either in cash or at the option of the Company, in Common Shares to be issued from treasury;

2.10 "Director" means a member of the Board;

2.11 "Directors Options" mean Options granted pursuant to Article 6 hereof;

2.12 "Effective Date" means March 10, 1999;

2.13 "Eligible Person" means any officer or designated employee of the Company or any officer or designated employee of any Subsidiary;

2.14 "Employee Options" mean Options granted pursuant to Article 5 hereof;

2.15 "Exercise Date" means the Business Day on which the Company through the Corporate Secretary receives (i) notice of an exercise of an Option or (ii) if an Option Purchase Right has been granted or issued, the Option Purchase Notice; provided that if the notice of exercise or Option Purchase Notice is received on a day which is not a Business Day, the Exercise Date shall be the next Business Day following the receipt of such notice of exercise or Option Purchase Notice;

2.16 "Governance Committee" means the Corporate Governance Committee of the Board.

2.17 "Grant Date" means, with respect to an Option, the date on which any Option is approved by the Board for grant hereunder;

2.18 "HRC Committee" shall mean the Human Resources and Compensation Committee of the Board;

2.19 "Market Price" in respect of a Share means the weighted average price per Share at which the Shares trade on the Stock Exchange (or if such Shares are not then listed and posted for trading on the Stock Exchange, on such stock exchange in Canada on which such Shares are listed and posted for trading as may be selected for such purpose by the applicable Committee) on the last Business Day preceding the date on which the Market Price is calculated thereon;

2.20 "Meeting Fees" mean the dollar amount paid to each Non-Employee Director for each directors meeting or committee meeting attended;

2.21 "Non-Employee Director" means a Director who is not a full or part time employee of the Company or any of its affiliates;

2.22 "Non-Voting Shares" means the Non-Voting Shares without par value in the capital of the Company, or in the event of any adjustment as provided in Article 9 hereof, such shares or securities as a person shall be entitled to or provided with herein;

2.23 "Options" mean the irrevocable options to purchase Common Shares granted under the Plan whether as Employee Options or Directors Options, as the case may be;

2.24 "Option Price" means in respect of a Common Share either: (i) the Market Price on the Grant Date, or (ii) the price as determined by the applicable Committee at the grant of the Option which shall be not be less than the Market Price determined in (i);

2.25 "Option Purchase Notice" shall have the meaning as set forth in Section 7.2 hereof;

2.26 "Option Purchase Price" means in respect of a Common Share with respect to which an Option Purchase Notice is given, the Market Price of the Common Shares on the Exercise Date of the Option Purchase Notice.

2.27 "Option Purchase Right" means the right which may be granted, at the time of the grant of an Option entitling that Optionee to issue an Option Purchase Notice with respect to that Option;

2.28 "Optionee" means a person to whom an Option has been granted;

2.29 "Overriding Notice" shall have the meaning as set forth in Section 7.2 hereof;

2.30 "Ownership Target" means an amount determined by the Board on recommendation of the Governance Committee from time to time, as the required market value, as calculated at the Market Price, in Shares and Deferred Share Units to be owned by a Non-Employee Director;

2.31 "Plan" means the BCT.TELUS Communications Inc. Share Option and Compensation Plan, as embodied herein, as the same may be amended or varied from time to time;

2.32 "Plan Administrator" means the administrator of the Plan as established pursuant to Section 11.1 hereof;

2.33 "Purchasing Agent" shall mean Montreal Trust Company of Canada or any other party appointed as the transfer agent and registrar of the Company from time to time;

2.34 "Share Purchase Election" shall have the meaning specified in Section 8.2 hereof;

2.35 "Shares" means the Common Shares or Non-Voting Shares as the case may be;

2.36 "Stock Exchange" means The Toronto Stock Exchange;

2.37 "Subsidiary" means any corporation that is a subsidiary of the Company (as such term is defined in the *Company Act* (British Columbia), as such provision is from time to time amended, varied or reenacted); and

2.38 "Termination Date" means the day on which a Non-Employee Director ceases to be a Director of the Company or a Subsidiary.

Article 3

Authority

3.1 Within the limitations set forth in the Plan and subject as hereinafter provided, the Board is authorized to provide for the grant of Options and Option Purchase Rights, to issue Deferred Share Units, all on such terms (which may vary as between Options) as hereinafter determined, and to issue Common Shares hereunder.

3.2 The HRC Committee has been delegated the power by the Board, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan with respect to Employee Options granted to Eligible Persons under Article 5 hereof:

3.2.1 to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;

3.2.2 to interpret and construe the Plan and to determine all policy questions arising out of the Plan and any Employee Option granted pursuant to the Plan, and any such interpretation, construction or termination made by the HRC Committee shall be final, binding and conclusive on the Company and the Optionee for all purposes;

3.2.3 to determine which Eligible Persons Employee Options are to be granted, including the determination of designated employees;

3.2.4 to determine the number of Common Shares covered by each Employee Option at the time of grant which, unless otherwise determined, shall be one Common Share for each Employee Option granted;

3.2.5 to determine the Option Price;

3.2.6 to determine, at the time of grant, when Employee Options will be granted, vest and be exercisable (including any performance targets or thresholds relating to vesting or exercise rights);

3.2.7 to determine, at the time of grant and concurrently therewith, whether an Optionee shall be granted an Option Purchase Right with respect to all or any Employee Options which may be granted;

3.2.8 to determine if the Common Shares that are subject to an Employee Option will be subject to any restrictions upon the exercise of such Employee Option, including the term of any Employee Option and vesting of any Employee Option;

3.2.9 to determine such other matters as are provided for herein and not specifically requiring the approval of the Board; and

3.2.10 to prescribe the form of the instruments relating to the grant, exercise and other terms of Employee Options and any Option Purchase Notice, if any.

3.3 The Governance Committee has been delegated the power by the Board, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan with respect to Directors Options granted to Non-Employee Directors pursuant to Article 6 hereof:

3.3.1 to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;

3.3.2 to interpret and construe the Plan and to determine all policy questions arising out of the Plan and any Directors Option granted pursuant to the Plan, and any such interpretation, construction or termination made by the Governance Committee shall be final, binding and conclusive on the Company and the Optionee for all purposes;

3.3.3 to determine the number of Common Shares covered by each Directors Option at the time of grant which unless otherwise determined shall be one Common Share for each Directors Option granted;

3.3.4 to determine the Option Price for the Directors Options;

3.3.5 to recommend to the Board for its approval the Ownership Target from time to time;

3.3.6 to determine at the time of grant when Directors Options will be granted, vest and be exercisable (including any performance targets or thresholds relating to vesting or exercise rights);

3.3.7 to determine if the Common Shares that are subject to a Directors Option will be subject to any restrictions upon the exercise of such Directors Option, including the term of any Directors Option and vesting of any Directors Option;

3.3.8 to prescribe the form of the instruments relating to the grant, exercise and other terms of Directors Options, the Option Purchase Notice, and Annual Notice; and

3.3.9 to determine such other matters as are provided for herein and not specifically requiring the approval of the Board with respect to matters contained in Article 6 and 8 hereof.

Article 4

Shares Subject to Plan

4.1 Options may be granted in respect of authorized and unissued Common Shares, provided that the aggregate number of Common Shares reserved for issuance under this Plan, pursuant to Options or upon exercise by the Company of its rights under Section 8.7 or 8.8 hereof, subject to adjustment or increase of such number pursuant to the provisions of Article 9 hereof, shall be 5,000,000. The prescribed number of Common Shares reserved hereunder may be increased or changed by the Board subject to any applicable securities laws, the rules and regulations of any stock exchange on which the Common Shares are listed and the approval of the holders of Common Shares, if required by such stock exchange.

4.2 To the extent permitted by any stock exchange on which the Common Shares are listed, Common Shares in respect of which Options are not exercised and which are cancelled shall be available for the grant of subsequent Options under the Plan or the issuance of further Common Shares from treasury under the Plan. No fractional Shares may be purchased or issued under the Plan.

4.3 In no event may the term of an Option exceed ten years from the Grant Date of the Option.

4.4 Notwithstanding the foregoing, any Option shall become exercisable to its full extent upon a resolution of the Board to that effect, which resolution may be enacted for any reason determined by the Board, including a determination there has been a change of control of the Company or that there is an anticipated change of control of the Company, which in the opinion of the Board warrants such determination.

4.5 The total number of Common Shares to be optioned to any Optionee or issued from treasury to Non-Employee Directors, under this Plan together with any Common Shares reserved for issuance under any other option or compensation plans for employees, of the Company or any Subsidiary or any other plans to such Optionee for Common Shares of the Company shall not exceed 5 per cent of the issued and outstanding Shares at the Grant Date of the Option.

4.6 An Option is personal to the Optionee and is non-assignable other than by will or by the applicable laws of succession and devolution.

Article 5

Eligibility, Grant and Terms of Employee Options and Termination

5.1 Employee Options under this Article 5 may be granted to Eligible Persons.

5.2 Employee Options may be granted, based on such recommendations of the HRC Committee to the Board following receipt by the HRC Committee of advice from the Chief Executive Officer of the Company with respect to designated employees who are not executives as advised by the Senior Vice-President, Human Resources of the Company or such other person designated by the HRC Committee.

5.3 Subject as herein and as otherwise specifically provided for in this Article 5, the number of Common Shares subject to each Employee Option, the Option Price, the expiration date of each Employee Option, the vesting rights with respect to the Employee Option or the extent to which each Employee Option is exercisable from time to time during the term of the Employee Option (including any performance targets or thresholds relating to vesting or exercise rights), whether the Optionee shall be granted an Option Purchase Right with respect to all or any of the Employee Options being granted, and other terms and conditions relating to each such Employee Option shall be determined by the HRC Committee at the time of grant; provided, however, that if no specific determination is made with respect to any of the following matters, each Employee Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

5.3.1 the Option Price shall be the price as determined pursuant to subparagraph (i) of Section 2.24 hereof;

5.3.2 the period during which an Employee Option shall be exercisable shall be ten years from the Grant Date of the Employee Option;

5.3.3 the Optionee may take up and pay for not more than 33⅓ percent of the Common Shares covered by the Employee Option on and after the expiration of each 12-month period from the Grant Date, so that 100 per cent of the Common Shares covered by any Employee Option shall be exercisable on and after the third anniversary of the Grant Date; provided, however, that if the number of Common Shares taken up under the Employee Option during any such 12-month period is less than 33⅓ per cent per cent of the Common Shares covered by the Employee Option, the Optionee shall have the right, at any time or from time to time during the remainder of the term of the Employee Option, to purchase such number of Common Shares subject to the Employee Option that were purchasable, but not purchased by him or her during such 12-month period.

5.4 Subject to Section 5.5 hereof and to any subsequent resolution passed by the Board with respect to any Employee Options, an Employee Option, including all rights to purchase Common Shares pursuant thereto or acquire the appreciated value of Common Shares if an Option Purchase Right has been granted to the Optionee, if any, shall expire and terminate immediately upon the Optionee ceasing to be an officer or employee of the Company or an officer or employee of any Subsidiary.

5.5 If before the expiry of an Employee Option in accordance with the terms thereof, the employment of the Optionee by the Company or any Subsidiary shall terminate or cease and the Optionee shall cease to be an officer or an employee of the Company or any Subsidiary the following shall apply:

5.5.1 if the Optionee shall cease to be an employee or officer of the Company or a Subsidiary by reason of a voluntary termination, other than normal retirement or permanent disability (such date of termination being herein being called the "voluntary termination date"), all Employee Options held by such Optionee, whether exercisable or unexercisable at the voluntary termination date, shall be terminated and cease to be exercisable on and after the voluntary termination date unless such other period shall be granted subject to the terms hereof as determined by the HRC Committee;

5.5.2 if the Optionee shall cease to be an employee or officer of the Company or a Subsidiary by reason of normal retirement (such date of retirement herein being called the "retirement date"), all Employee Options held by such Optionee, whether exercisable or unexercisable at the retirement date shall be exercisable on and after the retirement date for the remaining term of the Employee Options as granted;

5.5.3 if the Optionee shall cease to be an officer or employee of the Company or a Subsidiary by reason of permanent disability (such date at which time the Optionee is determined to be disabled being called the "disability date"), all Employee Options held by such Optionee, whether exercisable or unexercisable at the disability date shall be exercisable on and after the disability date for the remaining term of such Employee Options as granted;

5.5.4 if the Optionee shall cease to be an employee or officer of the Company or a Subsidiary by reason of termination by the Company or a Subsidiary without just cause (such date of termination herein being called the "termination date"), all Employee Options held by such Optionee which are exercisable at the termination date shall be exercisable on and after the termination date and for a period of 90 days thereafter and all such Employee Options which are unexercisable at the termination date shall be terminated and shall cease to be exercisable on or after the termination date, unless otherwise determined by the HRC Committee, subject to the terms hereof;

5.5.5 if the Optionee shall cease to be an employee or officer of the Company or a Subsidiary by reason of termination by the Company or a Subsidiary with just cause (such date of termination being herein called the "termination date"), all Employee Options whether exercisable or unexercisable at the termination date shall be terminated and shall cease to be exercisable on and after the termination date;

5.5.6 if the Optionee, including an Optionee who has ceased to be an officer or employee of the Company or a Subsidiary, shall die, all Employee Options which are exercisable at the date of death, or which become exercisable within a period of 12 months from the date of death, shall be exercisable on and after the date of death by the legal personal representative(s) of the estate of the Optionee, subject to the terms of the Plan, during a period of the earlier of 12 months following the date of death or the expiry of the Employee Option. All Employee Options which are not exercisable within such term shall be terminated.

5.6 For the purpose hereof:

5.6.1 "normal retirement" shall occur where the employee and officer is entitled to full or early retirement benefits under the pension plan of the Company or its Subsidiaries to which such employee or officer is entitled to receive a pension unless otherwise determined by the Company;

5.6.2 "permanent disability" shall occur when the Optionee is determined, by the appropriate authority under the applicable disability plan under which the Optionee is entitled to benefits, based on medical evidence to have virtually no potential to return to work at the Company or any of its Subsidiaries by reason of a severe permanent physical or mental condition; and

5.6.3 "just cause" means conduct of the officer or employee that is finally determined (after all rights of appeal have been exhausted or have expired) by a court of competent jurisdiction to be, or is agreed in writing by the officer or employee to be, conduct entitling the Company or a Subsidiary to terminate such officer's or employee's employment without any notice or compensation in lieu of notice.

5.7 Employee Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be an officer where the Optionee continues to be employed by the Company or any Subsidiary, unless the Optionee shall also cease to be an employee.

Article 6

Eligibility, Grant and Terms of Directors Options and Termination

6.1 Directors Options under this Article 6 may be granted to Non-Employee Directors.

6.2 Options may be granted by the Company, based on such recommendations of the Governance Committee to the Board.

6.3 Subject as herein and as otherwise specifically provided for in this Article 6, the number of Common Shares subject to each Directors Option, the Option Price, the expiration date of each Directors Option, the vesting rights with respect to the Directors Option or the extent to which each Directors Option is exercisable from time to time during the term of the Directors Option (including any performance targets or thresholds relating to vesting or exercise rights), and other terms and conditions relating to each such Directors Option shall be determined at the time of grant; provided, however, that if no specific determination is made with respect to any of the following matters, each Directors Option shall, subject to any other specific provisions of the Plan, contain the following terms and conditions:

6.3.1 the Option Price shall be the price as determined pursuant to subparagraph (i) of Section 2.24 hereof;

6.3.2 the period during which a Directors Option shall be exercisable shall be ten years from the Grant Date of the Directors Option; and

6.3.3 the Directors Option shall immediately vest upon the grant thereof.

6.4 Each Directors Option shall include an Option Purchase Right with respect thereto.

6.5 If before the expiry of a Directors Option in accordance with the terms thereof, the Non-Employee Director shall cease to be a Director or a director of any Subsidiary, the following shall apply:

6.5.1 if the Optionee, including an Optionee who has ceased to be a Director or a director of a Subsidiary, shall die, all Directors Options held by such Optionee which are exercisable at the date of death, or which become exercisable within a period of 12 months from the date of death, shall be exercisable on and after the date of death by the legal personal representative(s) of the estate of the Optionee, subject to the terms of the Plan, during a period of the earlier of 12 months following the date of death, or the expiry of such Directors Option. All Directors Options which are not exercisable within such term shall be terminated; and

6.5.2 if the Optionee shall cease to be a Director or a director of a Subsidiary for any reason other than death, all Directors Options held by such Optionee, whether exercisable or unexercisable at the date of such cessation shall be exercisable on and after the Termination Date for the remaining term of the Directors Options as granted; provided however that if that Optionee shall at any time after the Termination Date become a director, officer or employee of any corporation or entity which competes with the Company or its Subsidiaries (the "Competing Entity"), all Directors Options whether exercisable or unexercisable on or after the date such Optionee becomes a director, officer or employee of that Competing Entity shall be terminated and forfeited.

Article 7

Exercise of Options

7.1 Subject to the provisions of the Plan, an Option to purchase Common Shares, may be exercised from time to time, within the period in which they are exercisable by delivery to the Company of a written notice of exercise addressed to the Corporate Secretary of the Company at the registered office or such other address as the Corporate Secretary shall advise all Optionees in writing, specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the applicable Option Price of the Common Shares to be purchased. When requested, certificates for such Common Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

7.2 Notwithstanding the foregoing or any other provisions of the Plan if at the time of grant of an Employee Option it is determined to grant to an Optionee an Option Purchase Right and with respect to Directors Options, the Option Purchase Right provided for therein, that Optionee shall have the right, by written notice (the "Option Purchase Notice"), exercisable at the time that an Option may be exercised, requesting that the Company purchase from the Optionee all or any part of the vested Options held by the Optionee as specified in the Option Purchase Notice at a price equal to the difference between the Option Purchase Price and the Option Price for those Options. Upon any repurchase hereunder the number of Shares represented by the Option or Option Purchase Right, for the purpose of the Plan, shall be cancelled and may not be eligible for the further grant of an Option hereunder. Notwithstanding the foregoing, the Company shall have the right by written notice to the Optionee (the "Overriding Notice") to override all or any part of the Option Purchase Notice and require the Optionee to exercise the Option and acquire the Common Shares for which the Company has given the Overriding Notice.

Article 8

Directors Compensation Arrangements

8.1 A Non-Employee Director shall give an annual notice (the "Annual Notice") to the Corporate Secretary electing that, subject to as hereafter provided, the Annual Retainer and Meeting Fees be (i) paid to him or her in cash, (ii) applied to the acquisition of Shares, (iii) applied to the issue of Deferred Share Units, or (iv) be dealt with by any combination of the foregoing, all as specified in the Annual Notice, such Annual Notice to be received by the Corporate Secretary on or before February 15th of any year provided that with respect to 1999, such Annual Notice shall be given on or before June 30, 1999 and with respect to any new Non-Employee Director, such Annual Notice shall be given within 60 days of such Non-Employee Director becoming a Director.

8.2 Pursuant to the Annual Notice and at the times as required hereunder, the Company shall cause the Purchasing Agent to acquire on behalf of all Non-Employee Directors who have elected to acquire Shares, Shares in the market as hereinafter set forth, for the account of such Non-Employee Director. The number of Shares to be purchased shall be determined by applying the portion of the Annual Retainer and Meeting Fees specified to be so applied by all of the Non-Employee Directors to the acquisition of Shares less any required withholding thereon (the "Share Purchase Election"), to the purchase of Shares. Any Shares required will be purchased quarterly by the Purchasing Agent on behalf of the Non-Employee Director who have so elected, in arrears, on or about the 15th day of the months of January, April, July and October on the Stock Exchange. In the event Common Shares are not available for purchase on behalf of non-Canadian Non-Employee Directors due to the foreign ownership levels of the Company at the time, the Purchasing Agent shall acquire the approximate value of Non-Voting Shares in the same manner. The costs of the Purchasing Agent will be borne by the Company. All Shares so purchased are to be registered in the name of the Non-Employee Director and shall be eligible for dividend reinvestment under the Company's Dividend Reinvestment and Share Purchase Plan. The cost to each Non-Employee Director of Shares purchased hereunder will be the Average Cost by the Purchasing Agent for the purchase of all Shares of class purchased on the date for all Non-Employee Directors in the Plan.

8.3 Pursuant to the Annual Notice and from time to time as the Annual Retainer and Meeting Fees are paid, the Company shall cause the Plan Administrator to credit to an account from each Non-Employee Director the number of Deferred Share Units determined by dividing the portion of the Annual Retainer and Meeting Fees specified to be applied to the acquisition of Deferred Share Units in the Annual Notice by the Market Price of the Common Shares on the same dates as Shares are being acquired in the market by the Purchasing Agent.

8.4 Notwithstanding the foregoing, a Non-Employee Director shall not be entitled to receive all or any portion of his or her annual board retainer, forming part of the Annual Retainer, in cash unless the Ownership Target is met. If the Ownership Target is not met, the Non-Employee Director must elect to receive payment of the Annual Board Retainer in the form of Shares or Deferred Share Units. The Ownership Target shall be met within five years of joining the Board. Ownership towards the Ownership Target shall be determined annually as of the end of each fiscal year.

8.5 A Non-Employee Director who has elected to have the Annual Retainer and Meeting Fees applied pursuant to the purchase of Shares or the issuance of Deferred Share Units pursuant to an Annual Notice may rescind the Annual Notice or amend the instructions given in the Annual Notice to the Corporate Secretary on or before three weeks prior to any quarterly payment of the Annual Retainer or Meeting Fees.

8.6 Each Non-Employee Director's Deferred Share Unit account shall be credited with dividend equivalents on the day that dividends are paid on Common Shares and such dividend equivalents shall be converted into additional Deferred Share Units based on the Market Price on that date credited. A Deferred Share Unit shall entitle the Non-Employee Director to receive an amount equal to the Market Price for the number of Deferred Share Units held for the Participant on the Termination Date in accordance with Section 8.8 hereof.

8.7 Notwithstanding the foregoing the Company shall have the right, at its discretion, to determine to issue Common Shares from treasury to satisfy the election by the Non-Employee Director to apply the Share Purchase Election portion to the acquisition of Common Shares. If the Company shall issue Common Shares from treasury, such Common Shares will be issued at a price equal to the Market Price on the day the Share Purchase Election portion is to be applied as if Common Shares were purchased in the market under Section 8.2. Common Shares issued hereunder will be part of the amount reserved and set aside as provided under this Plan. All Common Shares issued hereunder will be issued in the name of the Non-Employee Directors electing to acquire such Common Shares and held by the Purchasing Agent on behalf of the Non-Employee Director in non-certificated form.

8.8 Upon a Non-Employee Director ceasing to be a Director or a director of a Subsidiary in any manner whatsoever, the Company shall pay to the Non-Employee Director or the Non-Employee Director's legal representative an amount equal to the number of Deferred Share Units held by the Plan Administrator on behalf of the Non-Employee Director multiplied by the then Market Price on such Termination Date, less any required withholding. In the alternative in the sole discretion of the Company it may issue from treasury such number of Shares as is required to meet its obligations under the Plan in the manner provided under Section 8.7 hereof. Common Shares issued hereunder will be part of the amount reserved and set aside as provided under this Plan. All Common Shares issued hereunder will be issued in the name of the Non-Employee Directors electing to acquire such Common Shares and held by the Purchasing Agent on behalf of the Non-Employee Director in non-certificated form. Any cash payment hereunder shall be made within one calendar year following such Termination Date and may be provided as a deferred receipt or in any manner agreed by the Company and the Non-Employee Director provided however that if no agreement shall be reached within a reasonable period, the Company may pay such amount by cheque to the Non-Employee Director. Notwithstanding paragraph 8.6 hereof, the Non-Employee Director shall not be entitled to any further dividend equivalents from and after such Termination Date. Notwithstanding the provisions hereof for any Non-Employee Director for whom a Termination Date has occurred within the period after the Effective Date but prior to the approval date of the Plan, the payment hereunder will be made within a reasonable time following such necessary approvals.

Article 9

General and Certain Adjustments

9.1 Notwithstanding any of the provisions contained in the Plan or in any Option, the Company's obligation to issue Common Shares to an Optionee pursuant to the exercise of an Option or as permitted under the Plan shall be subject to:

9.1.1 completion of such registration or other qualification of such Common Shares or obtaining approval of such governmental authority as the Company shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

9.1.2 the Company being satisfied that the issuance of Common Shares on exercise of an Option will be in compliance with the applicable laws of Canada or any province thereof or if necessary, with the applicable laws of the United States, or any state thereof;

9.1.3 the Company being satisfied that upon the issuance of Common Shares hereunder the Company will continue to be in compliance with the Canadian Telecommunications Common Carrier Ownership and Control Regulations pursuant to the *Telecommunications Act* or any other regulation applicable to the Company and its Subsidiaries with respect to the holding of voting or equity shares by persons who are non-Canadian;

9.1.4 the admission of such Common Shares to listing on any stock exchange on which the Common Shares may then be listed; and

9.1.5 the receipt from the Optionee or Non-Employee Director of such representations, agreements and undertakings, including as to future dealings in such Common Shares, as the Company or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In this connection the Company shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Common Shares in compliance with applicable securities laws and for the listing of such Common Shares on any stock exchange on which the Common Shares are then listed.

9.2 Appropriate adjustments in the number of Common Shares subject to the Plan, as regards Options granted or to be granted, in the number of Common Shares optioned, in the applicable Option Price and in the Deferred Share Units held for a Non-Employee Director, shall be made by the Board to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Shares, the payment of stock dividends by the Company (other than dividends in the ordinary course) or other relevant changes in the capital of the Company. In the event that the Company is reorganized, merged, consolidated or amalgamated with another corporation, the Board shall make such provisions as it sees fit for the continuance of Options and Deferred Share Units outstanding under the Plan and to prevent their dilution or enlargement.

Article 10

Amendment or Discontinuance of Plan

10.1 The Board may amend or discontinue the Plan at any time; provided, however, that no such amendment may increase the maximum number of Common Shares that may be optioned under the Plan, change the manner of determining the Option Price, without the consent of the Optionee, alter or impair any Option previously granted to an Optionee under the Plan unless such alteration is not prejudicial to any Option previously granted or, without the consent of a Non-Employee Director, alter or impair any Deferred Share Units held, unless such alteration is not prejudicial to such Non-Employee Directors, and further provided that any amendment shall require the approval of the stock exchanges on which the Shares are then listed, and all other applicable regulatory authorities.

Article 11

Administration

11.1 To the extent permitted by law, each of the Committees may, from time to time, delegate the day-to-day administration of the Plan to a Plan Administrator (as hereinafter defined) on such terms and conditions as such Committee considers appropriate. "Plan Administrator" shall mean a person or company (which may be management of the Company, a trust company or other qualified third party or individual) appointed by the Committee to act as administrator of the Plan for the benefit of persons thereunder. The Plan Administrator shall have such administrative responsibilities as the Committee shall specify, including the maintenance of accounts and reporting to persons thereunder. The Committees and the Plan Administrator shall exercise any powers delegated to them hereunder or as contemplated herein in the manner and on the terms authorized and any decision made or action taken by the Committees or the Plan Administrator, as the case may be, arising out of or in connection with the administration or interpretation of the Plan in this context shall be final and conclusive, subject only to the overriding discretion of the Board with respect to the Plan and the administration thereof.

11.2 Whenever the Board or a Committee is to exercise discretion in the administration of the terms and conditions of the Plan or any determinations or approvals contemplated in the Plan, the term "discretion" shall mean the sole and absolute discretion of the Board or the applicable Committee, as the case may be.

11.3 All actions and determinations (including all omissions with respect to the foregoing) which are taken or made in good faith by the Board or, by a Committee or the Plan Administrator, shall not subject any members of the Board or the Committee, or the Plan Administrator to any liability whatsoever to any person hereunder or their beneficiaries and legal representatives.

11.4 All costs and expenses of the administration of this Plan including those of the Purchasing Agent shall be borne by the Company.

Article 12

Miscellaneous Provisions

12.1 The holder of an Option shall not have any rights as a holder of Common Shares of the Company with respect to any of the Common Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Common Shares in respect of which the Option is being exercised) and the Company shall issue such Common Shares to the Optionee in accordance with the terms of the Plan in those circumstances. Any holder of Deferred Share Units shall not have any rights as a holder of Common Shares of the Company as such.

12.2 Nothing in the Plan or any Option shall confer upon any Optionee any right to continue in the employ of the Company or any Subsidiary or remain a Director or a director of a Subsidiary or affect in any way the right of the Company or any such Subsidiary to terminate his or her employment at any time or remove him or her as a director; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Company or any such Subsidiary, to extend the employment of any Optionee beyond the time that he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Company or any Subsidiary or any present or future retirement policy of the Company or any Subsidiary, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Company or any Subsidiary or the appointment of a person or a Director.

12.3 References herein to any gender include all genders and to the plural includes the singular and vice versa.

12.4 Time shall be of the essence herein.

Article 13

Shareholder and Regulatory Approval

13.1 The Plan shall be subject to the approval of the holders of Common Shares of the Company to be given by a resolution passed at a meeting of the members of the Company, and to acceptance by The Toronto Stock Exchange, the Montreal Exchange, Alberta Stock Exchange and Vancouver Stock Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance is given.

13.2 The Plan shall be effective from and after the Effective Date, subject to Section 13.1 hereof.

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ANNUAL REPORT

1999

ADVANCE

TELUS

FAST FORWARD

CORPORATE PROFILE

BCT.TELUS Communications Inc. (operating as TELUS) is Canada's second largest telecommunications company. Formed with the January 31, 1999 merger of BC TELECOM and TELUS Corporation, we provide a full range of communications products and services connecting Canadians with the world. We started out in British Columbia and Alberta, which together represent approximately 23 per cent (seven million) of Canada's population and include three of the five largest Canadian cities — Vancouver, Calgary and Edmonton.

Last year we announced a plan to provide our telecommunications expertise to other areas across Canada. In November 1999 we officially launched services in Toronto, Sarnia and Winnipeg. During 2000, we plan to provide services in more than 20 other Canadian cities.

See TELUS-at-a-glance on pages 4 and 5.

Note to Shareholders: We expect to change our Company's legal name to TELUS Corporation, if we receive shareholder approval at our May 3rd, 2000 annual meeting. We also anticipate simplifying our stock symbols, from "BTS" for Common Voting and "BTS.A" for Common Non-voting, to "T" and "T.A."

STRATEGIC PRIORITIES

Build on our leading position in Western Canada

Create revenue growth in Central and Eastern Canada

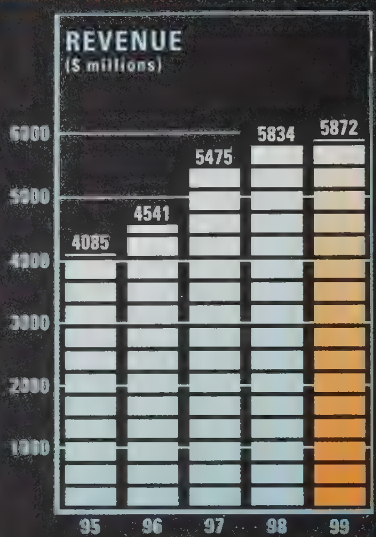
Realize merger benefits

Please note the glossary on page 66 for a definition of industry and technical terms.

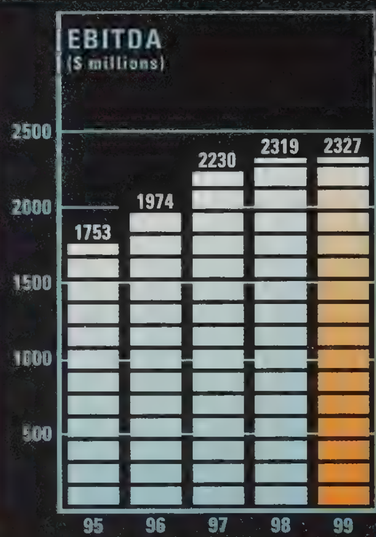
Safe Harbour Notice for Forward Looking Disclosure

This report contains statements about expected future events and financial results of TELUS that are forward looking and subject to risks and uncertainties. Factors that could cause actual results to differ materially include items discussed in this report but could also include competition, technological change, regulatory decisions, taxation and other risk factors that are identified from time to time in reports filed under applicable Canadian securities laws including the 1999 Annual Information Form.

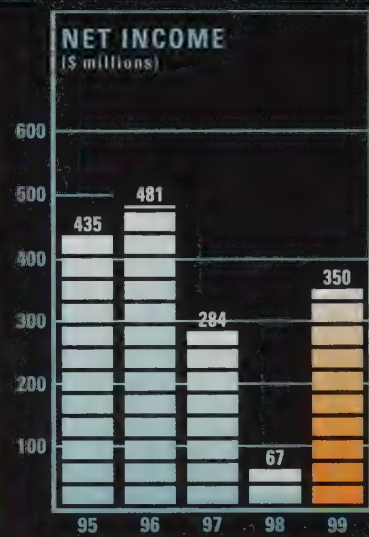
HIGHLIGHTS



During 1999, we successfully offset lower long distance pricing with Internet and Information Services growth.



The EBITDA margin remained stable at 40% in 1999.



1997 and 1998 were impacted by non-cash extraordinary items of $285 million and $531 million. 1999 was impacted by a one-time net restructuring charge of $264 million.

FINANCIAL

(millions except return on equity and per share amounts)	1999	1998	Change in 1999 (%)
Revenue	$ 5,872.3	$ 5,833.9	0.7%
EBITDA*	2,327.4	2,318.7	0.4%
Operating income	1,265.3	1,296.8	–2.4%
Net income	349.7	66.9	–
Cash flow**	1,735.5	1,634.1	6.2%
Capital expenditures	1,199.2	1,093.2	9.7%
Return on common equity, operations	14.2%	14.0%	–
Earnings per share: Operations	$ 2.58	$ 2.51	2.8%
Total	1.46	0.27	–
Cash flow per share	7.34	6.89	6.5%
Book value per share	17.91	18.03	–0.7%

* EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization
** Cash flow from operations before changes in working capital

Over the past five years, cash flow has increased by a 9% compounded annual growth rate.

In 1999, capital expenditures for our national expansion accounted for $155.3 million of total capital expenditures.

Debt repayment has created a strong financial position.

OPERATIONAL

	1999	1998	Change in 1999 (%)
Access lines (thousands)	**4,551**	4,495	1.2%
Long distance minutes (millions)	**7,011**	5,333	31.5%
Cellular customers (thousands)	**1,099**	963	14.1%
Internet customers (thousands)	**313**	216	44.8%
Employees (thousands)	**21.6**	22.5	–4.0%

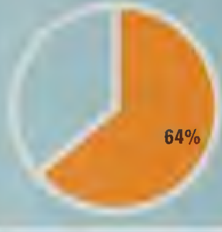
TELUS-AT-A-GLANCE

BUSINESS SEGMENTS | **KEY FINANCIAL RESULTS** | **CUSTOMER STATISTICS**

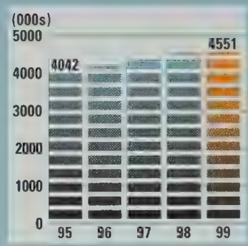
TELUS COMMUNICATIONS

- Provides local and long distance voice products and services to British Columbia and Alberta residences and businesses
- Includes sales and rentals of telephone equipment

Share of TELUS Revenue



Revenue of $3.8 billion was down only 1% even with competitive and regulatory price impacts.

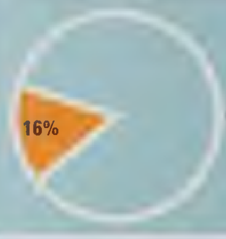


Network access lines were up 1% in 1999.

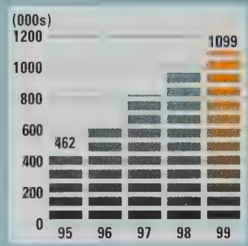
TELUS MOBILITY

- Operates largest cellular and paging networks in British Columbia and Alberta
- Offers full spectrum of wireless communications, including digital PCS, cellular, wireless data, and satellite services

Share of TELUS Revenue



Revenue of $960 million declined 3% because of lower pricing in a more competitive market.

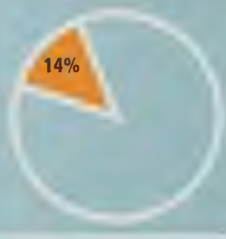


Cellular customers grew 14% in 1999.

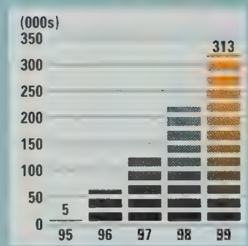
ADVANCED COMMUNICATIONS

- Provides digital data transmissions through wired or wireless networks in British Columbia and Alberta
- Services include data communications, Internet, network management, information services and consulting

Share of TELUS Revenue



Revenue grew by 15% to $801 million due to growth in Internet and Information Services.



Internet customers grew 45% in 1999.

TELUS ADVERTISING SERVICES

- Produces White and Yellow Pages directories in British Columbia and Alberta

Share of TELUS Revenue

Revenue grew by 5% to $292 million due to higher sales activities.

Produced 73 directories in 1999.

NATIONAL

We are expanding into Central and Eastern Canada in three ways:

1. TELUS Integrated Communications

- A facilities-based competitor in Central and Eastern Canada
- Provides integrated data and voice services

Spent $155 million on capital expenditures, including construction of a national fibre infrastructure, one voice switch and four ATM switches.

Major wins include Westcoast Energy's Ontario subsidiaries and City Place in Toronto.

2. TELUS Advertising Services

- Publishes White and Yellow Pages directories in Ontario and the United States

Generated new revenue of $3.5 million.

Produced 32 directories in 1999.

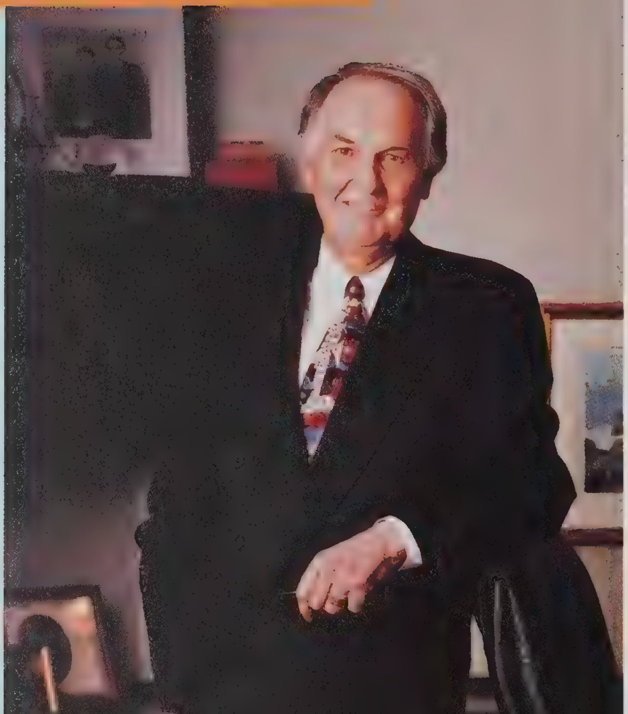
3. TELUS Mobility

- Expansion of cellular services nationally
- Resale of services to start March 2000

HIGHLIGHTS	STRATEGY
• Operator Services earned Canadian Award for Excellence recognizing leadership and outstanding performance • Ended 1999 with 400,000 multi-service bundles sold, up 184% in the year • Successfully maintained strong market shares in local service at 98% (down 1%) and long distance at 71% (up 1%) • A second-line initiative successfully added 43,000 additional lines. This program was extended into 2000	• Defend customer base through bundling, packaging, contracts and other retention initiatives • Increase sales of enhanced services (e.g. call display) • Customize product and service offerings using an advanced database of specific customer segments • Harness merger benefits by reducing costs • Capitalize on the GTE* marketing and technology agreement
• Expanded digital cellular service coverage to include all major cities in British Columbia and Alberta — now 13% of total customers • Introduced tri-mode phones which allow customers to roam anywhere in North America • Launched Tango™ service in Alberta, the largest group calling radio network of its type in the world	• Provide superior network coverage and quality • Sustain high customer satisfaction • Provide a full suite of wireless telecommunications services • Utilize "home team" brand leadership image • Provide and maintain a superior distribution channel
• Introduced local web portal strategy — starting with MyBC.com and Alberta.com • Launched national e-commerce services which allow secure credit card transactions • Introduced Interactive Enterprise which allows enhanced applications for businesses that use the Internet • Won Interop Infra@structure Magazine's "Most Innovative Local Telephone Company" Award for leadership in deploying ADSL and e-commerce technology • Accelerated high-speed Internet rollout, and added 21,000 customers	• Focus on high-revenue growth products, including deployment of GTE Internetworking products • Achieve take-to-market excellence through increased customer targeting • Grow information technology outsourcing business (ISM-BC) through increased marketing efforts • Reduce costs by leveraging the GTE alliance • Continue aggressive expansion of high-speed Internet
• Introduced several new zones on the AltaVista Canada web site, including the Health and Wellness Guide, the Canadian Shopping Channel and the Money Channel • Negotiated strategic alliance with NCompass Labs Inc. to enhance ability to offer web design and advanced web hosting services for businesses	• Defend operations against competitors • Grow all product lines
• Began building an extensive fibre optic network in Canada — over 50% complete by year-end • Currently providing service through leased competitor facilities • Opened downtown Toronto office and network operations centre	• Build market share and grow revenues • Position TELUS over time as a national full-service provider • Exploit an integrated business model, where customers have a single relationship with TELUS for all their communications needs • Differentiate TELUS from competitors by delivering excellent customer service • Target primarily complex small to medium business customers and select large national accounts
• Acquired the Locator Group Inc. and the White Directory of Canada, which both produced community phone directories in Ontario • Acquired through a joint venture, Southwestern Directory Co., a phone book publishing company in Texas	• Continue geographic expansion in Central Canada and the U.S. • Build credibility and usage of TELUS directories with end users
• Negotiated resale agreement with Mobility Canada partners allowing TELUS to offer national services starting in March 2000 • Plans to participate in industry auction process expected in 2000 to allocate additional 40 MHz of national wireless spectrum	• Resell TELUS cellular to establish brand, distribution and customer service capabilities • Build or buy network in target markets to support high-volume customer segments

* Based in the United States, GTE is a leading provider of integrated telecommunications services, with annual revenues of Cdn$36 billion. The company is in the midst of finalizing a merger with Bell Atlantic. GTE owns 26.7% of our Common and Non-Voting Shares. Through a 10-year marketing and technology agreement, GTE will play a crucial role in helping us achieve our strategic priorities.

CHAIRMAN'S LETTER



If there's one constant in our industry, it's change. Technology continues to evolve at unprecedented rates. As we begin to compete nationally, we face growing competition in our own backyard. And, most importantly, we have more opportunities to grow and change than ever before. Our challenge at TELUS is to accelerate our own pace of change and focus on the opportunities that best position us for future success.

That's why, in 1999, the TELUS Board of Directors approved management's three strategic priorities:

- To continue building on our leading position in Western Canada
- To create revenue growth in Central and Eastern Canada, and
- To realize the benefits of the merger.

We are confident that we are now moving forward aggressively on these three priorities. Equally important, we believe that TELUS management has the right balance of skills, depth and experience to lead the company into a rapidly changing future.

As you're undoubtedly aware, in 1999, the TELUS senior leadership team changed significantly — including the departure of former CEO, George Petty, and the appointment of Brian Canfield, former TELUS Chairman, as CEO until a successor is found. On behalf of the Board of Directors, I'd like to thank both George and Brian for the critical roles they've played in our success to date. Brian has worked tirelessly and on a full-time basis over the last five months and made great progress in a number of important areas, including putting in place a robust financial and operational plan and organizing the Company to increasingly benefit from the GTE alliance.

Our search for a new CEO began last fall and, at that time, we estimated it would take from six to eight months to select a new CEO. We believe that estimate is still accurate and expect to name our new CEO in the next few months.

At times, we've been asked about the length of our CEO search. However, this is the normal period for a full external international search and we believe that selecting the right candidate for CEO is absolutely critical to our long-term success. We're looking for someone who can build on our accomplishments, continue to lead us through the challenges of merger integration and provide the insight and vision to guide the Company into new markets and the new millennium. In the meantime, as you'll read throughout this report, your Company remains financially strong and committed to moving full speed ahead on the execution of our three strategic priorities.

Each TELUS Board member contributes his or her unique set of experiences, expertise and judgment. The skills and perspectives brought to our Board from BC TELECOM Inc. and TELUS Corporation have enhanced our ability to effectively carry out the Board responsibilities during the challenges of the past year.

The TELUS Board is committed to the TELUS mission of helping people communicate effortlessly. The Board supports all TELUS employees who have worked tirelessly towards making this mission a reality. The corporate governance processes adopted by the Board, which are provided in greater detail in the proxy circular that accompanies this Annual Report, ensure TELUS meets its ongoing obligations and operates in a reliable and safe manner, while remaining attuned to the interests of our many stakeholders and the multitude of policy and business factors, both domestic and international, which shape the world in which we operate.

On behalf of the TELUS Board of Directors, I'd like to thank you for your continued support through a year of many challenges and changes, both in our exciting industry and here at TELUS. In 2000, we remain committed to evolving, improving and positioning ourselves for future growth — all of which should ultimately create more value for our shareholders.

Ronald P. Triffo
Chairman
February 16, 2000

PRESIDENT AND CEO'S LETTER

Last year was unlike any other in the history of telecommunications. In 12 short months, we zoomed into the future. We're now operating in a world of growing e-commerce, increasing wireless communication and service customization — not to mention intense competition and globalization. It's a world that runs on telecommunications. A world in perpetual fast forward where partners and alliances are paramount and established relationships like the one we had in Stentor no longer meet our customers' needs.

At TELUS, we're now one company — connecting Canadians to each other and the world — in four provinces, with more on the way. We now have the scale to expand nationally and, through our relationship with GTE, we have a strong North American and global alliance partner.

ACHIEVEMENTS

In 1999, we set ambitious goals for ourselves. Here's a quick review of our achievements in Year One:

- We brought together two large companies with distinct corporate cultures. Bringing these two entities together was, in and of itself, a tremendous feat.
- We rebranded in British Columbia under the TELUS banner in October. This was well received by our customers and positions us for success on the national stage.
- We accelerated our high-speed Internet service to connect more than 25,000 customers and increased our Internet customer base by 45 per cent to 313,000.
- We started and completed more than half of our 6,700-kilometre cross-Canada fibre build.
- We set up our senior management team, network infrastructure and national sales team in Toronto.

- We achieved $70 million of merger savings, exceeding our initial target by 40 per cent.
- We met or exceeded our market share expectations in the West for local, long distance and cellular.

CHANGE

Of course, the last year wasn't always easy. For one thing, we've seen our share price fluctuate from a high of $43 to a low near $28. As I write this, it's back in the $40 range. As you know, throughout the year, we were diligent in communicating to shareholders and investors as developments occurred.

We faced our most pressing challenge in the middle of last year when six of eight executives left the company. In each instance, however, we moved quickly to restore stability.

We brought Barry Baptie, a former ED TEL and TELUS executive with more than 20 years of telecom experience, on board immediately to fill the Chief Financial Officer position.

Roy Osing, a 31-year telecommunications veteran from British Columbia, stepped in right away to take the reins at TELUS Advanced Communications.

In the case of the Chief General Counsel position, we chose to downsize the executive team by delegating the responsibilities of that position among other members of the team. Jim Peters is now responsible for corporate development, corporate affairs and general counsel.

Judy Shuttleworth, with more than 30 years of experience in the human resources field, stepped in immediately, in an acting capacity, after the untimely death of Paul Smith.

And Arnie Stephens stepped in as President, TELUS Mobility, in an acting capacity last fall. He brings with him many years of cellular experience in finance, systems, marketing and service development.

Two-thirds of employees, however, experienced no change of leadership. Ian Mansfield, one of the architects of our merger with more than 30 years of management experience, continues in his role as President, TELUS Communications. He oversees the largest revenue-generating segment of our business.

Cynthia Lewis, a former senior executive with Xerox, joined the executive team to lead the charge on the national front. Cynthia brought a wealth of service-oriented start-up experience to her role as President, TELUS Integrated Communications.

Overall, I'm pleased to say we recovered from this very difficult time, and we did so very quickly. We demonstrated flexibility and drew upon the tremendous bench strength of our organization.

Unfortunately, unfounded rumours about why the four former executives from Alberta left circulated last fall. I want to be very clear on this point: each chose to leave for personal reasons. They were not motivated by any external pressures. They each chose to exercise an option, granted by their predecessor company, available for an extended period of time following the merger.

Another significant human resources challenge we faced in our first year is the fact that our unionized employees are represented by four different unions. This means that while an operator in Red Deer is a member of one union, her colleague in Kamloops, who does the same job, belongs to another and works under a different collective agreement.

That's why one of the first things we did as a new company in 1999 was apply to the Canada Industrial Relations Board to have a common employer status. This involves a lengthy hearing process, which the Company is attempting to expedite.

Once a decision is reached, we will negotiate a new collective agreement that balances the needs of employees with the evolving needs of our customers and the realities of our dynamic industry.

OUR NATIONAL INITIATIVES

As if bringing together our two founding companies under one name and structure wasn't challenging enough, we set another difficult task for ourselves in 1999. We set out to establish ourselves as a national company — to evolve beyond our provincial boundaries.

As a first step to serve our customers globally, we began building a national fibre-optic network. We will have facilities from coast to coast by mid-2001, across the second biggest country in the world. We've already completed more than half the construction and, as the volume of the various routes makes it economically feasible, we'll light the fibre.

Our network in the West is already connected through Seattle to GTE Internetworking's 17,000-mile high-speed fibre network that runs throughout the United States. And the Canadian Radio-television and Telecommunications Commission (CRTC) has changed its rules so we are now allowed to connect our cross-Canada traffic on GTE's facilities across the U.S.

In the meantime, we're not waiting for our national network to be complete. We're using leased facilities to establish our beachhead in the Central Canadian market. We've already set up shop in Toronto and taken on not only the biggest telecom company in Canada, but the biggest corporation in Canada. We opened our Toronto office with a lot of fanfare and media attention last November.

Already, we've signed on national customers such as Intrawest Resorts, Westcoast Energy and Budget Rent-A-Car. You'll find interesting details about some of our competitive wins later in this report.

At the executive level, we have benefited from a depth of expertise and strength of leadership that has guided us through a challenging year. I want to thank our Board of Directors for their strong support. Together, we have set a clear course for the future of our Company.

FAST FORWARD

I believe strategies, process and structure all flow from vision. Looking three years into the future, I see TELUS as a full-service national provider. To achieve this, we are concentrating our energies on three strategic priorities:

- Continuing to build on our leading position in Western Canada
- Creating revenue growth in Central and Eastern Canada
- Realizing merger benefits.

Our Board of Directors has approved our three-year plan based on these priorities. As an executive team, we will remain focused on our line of sight — looking out at least three years into the future so we make the right decisions today.

Already, we are a company that is focused on data, the Internet, and e-commerce, while maintaining and growing our core business. What's more, our business is no longer about simply selling

individual products. Our business is now about consulting with our customers, finding out what their communications and information technology needs are, and solving their problems.

CREATING NEW WEALTH FOR SHAREHOLDERS

In 1999, we maintained the financial strength of our Company:

- Revenue of $5.9 billion — up 1%
- Cash flow from operations of $1.7 billion — up 6%
- Balance sheet was strengthened as we paid down long-term debt by $258 million.

Our line of sight includes creating new wealth for our shareholders. We intend to achieve an average total shareholder return of 15 per cent per annum — or more — for the next five years. Total shareholder return includes both dividends and share price appreciation. The factors that will enable us to achieve this target include:

- Depth of experience of a dynamic executive team and committed employees
- Aggressive and yet achievable business plan focused on meeting customer and shareholder needs
- Extensive portfolio of products and services
- Co-marketing with GTE and access to GTE's current and future technology and research and development. Additionally, we anticipate this will apply to Bell Atlantic once their merger with GTE is complete
- Well recognized and highly regarded TELUS brand.

I believe investors and shareholders need to be aware that as we fast forward into this new and exciting world of ours, there is a higher degree of risk. However, the higher risk also comes with higher potential reward.

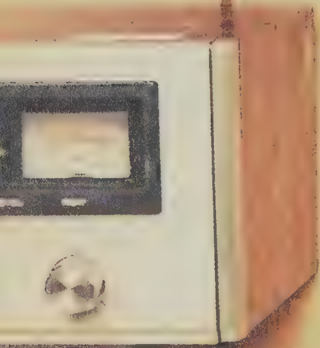
I also believe we could not be in a better business at a better time. More than that, we have the right products, people and partners to make the most of the opportunities ahead. And, for the first time, through our relationship with GTE, and soon Bell Atlantic, we are part of a global play. With our exclusive marketing and technology agreement, we are increasingly able to offer customers across the country enhanced services and wider North American and global connectivity.

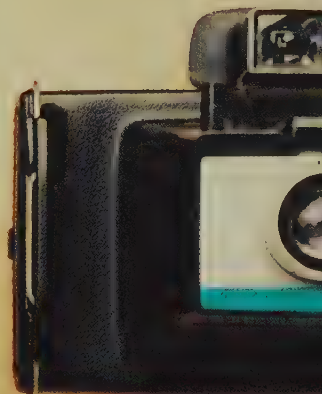
And so, Year One is behind us. We accomplished much and weathered a few storms. We have a solid plan for 2000, with our priorities on building on our strong position in the West, national growth and achieving the benefits from the merger. We are moving quickly to deliver on the promise of the future.

Brian Canfield

Brian A. Canfield
President and Chief Executive Officer
February 16, 2000

REWIND TO 1969

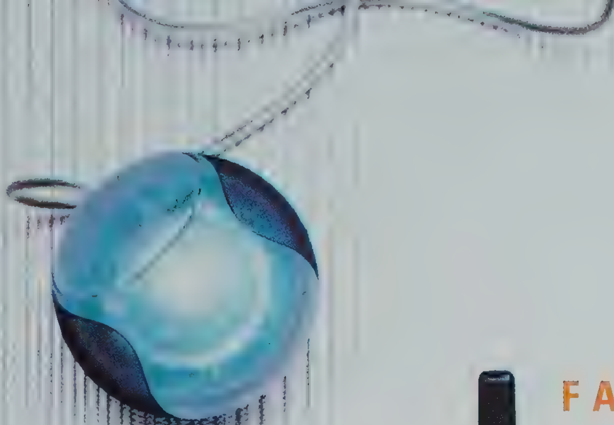




IN 1969, a standard business of the day had a few rotary-dial telephones, teletypes and typewriters — and households only had one telephone, if they had one at all.

IN 1989, business was still built upon those traditional communications tools, although folks were keeping up with the times. The phones were touch-tone, and the typewriters had become electronic. Almost every household had a phone with affordable local rates. Long distance calling, however, was quite expensive and seen by many as a luxury.

BY 1999, electronics began to give way to the digital age. The use of word processors and fax machines had spread throughout organizations. There were more phones, with features like voice mail, and cell phone use was on the rise. Business was booming.



FAST FORWARD TO 1999

IN 1999, the pace of technological innovation has hastened to speeds society can barely keep up with. The newest computers are outdated, often, before you can load the software. Households struggle to stay connected — tracking one another down through pagers or cell phones as additional phone lines ring concurrently, and voice mail answers.

Organizations don't sleep. They have gone on-line with e-mail and virtual storefronts, allowing customers to make purchases any time without leaving the comfort of their own den. Businesses are supported with every convenience — Internet, Intranets, high-speed networks and phones with advanced calling features.

LET THE TIMES KEEP UP WITH YOU FOR A CHANGE. CHOOSE TELUS.

The fact is, the speed at which we do things has accelerated because new high-tech tools make it easier to get things done.

BUILDING ON OUR LEADING POSITION IN WESTERN CANADA

In 1999, we installed 25 Internet centres in the Calgary International Airport to allow busy travellers to stay connected.

GROWTH AND INNOVATION

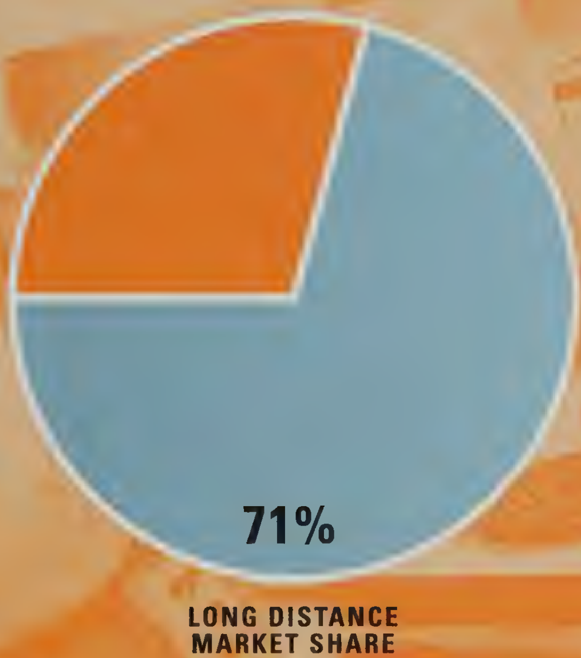
New capabilities have forged a business evolution that enables us to operate in a space with no real time or distance — our customers expect to do the same.

Modern-day conveniences are in demand, day or night. Customers expect access to products and services on their schedule and on their terms — that may be at 2 a.m. or 2 p.m. The businesses that strive to serve these clients will prosper — others will fall behind.

Our customers want products that meet their individual needs, delivered in unique ways, so that they can meet the needs of their customers. They expect virtual storefronts, e-commerce capabilities, timely product support and 24-hour help lines — exactly the types of services we're able to provide. And we take this one step further — for example, signing service level agreements to manage the reliability of our high-speed data services 24 hours a day, seven days a week.

Data services are quickly becoming one of the largest growth areas of our business. In 1999 we launched some advanced data solutions for business, including Interactive Enterprise, a new service providing enhanced applications for businesses that use the Internet. In 1999 overall Internet and e-commerce revenues grew by 54 per cent.

"MY GRANDCHILDREN LIVE ACROSS THE COUNTRY. I WANT TO BE ABLE TO TALK TO THEM AS OFTEN AS I CAN WITHOUT WORRYING ABOUT LONG DISTANCE RATES." **Myrt Beck** – *TELUS customer,* Calgary



**AFTER FIVE YEARS OF COMPETITION,
WE MAINTAIN THE LEADING LONG DISTANCE MARKET SHARE.**

We experienced 45 per cent growth in our Internet customer base this year, becoming the second largest Internet Service Provider in the country with 313,000 customers. Our large customer base offers us opportunities for increased growth and revenue.

Our web portals allow users to personalize their own home page to meet their regional information needs — from stock prices to news headlines and sports highlights. Last spring we introduced our first web portal, MyBC.com, and in early 2000, we launched Alberta.com. We plan to launch portal sites in Toronto, Hamilton, Kitchener-Waterloo, Burlington and London later this year, and wireless portals in Alberta and British Columbia in 2000.

OUR VALUE PROPOSITION TO THE CUSTOMER IS ABOUT MORE THAN PRICE. PIPE TO FIBRE. AS A FULL-SERVICE PROVIDER, WE OFFER THE CUSTOMER DISTINCT ADVANTAGES OVER THE COMPETITION.

We've taken a unique layered approach in developing our content strategy for web portals. In the first layer, we have local information, city guides and free web tools. However, we also offer the added value of our Yellow Pages* business, taking our customers' advertising on-line through the creation of "microsites." The second layer will be focused on Internet Protocol (IP) services and tools like Internet telephony, where telephone calls and video-conferencing can take place over the Internet. Other services will include IP fax, and a new service called unified messaging — allowing you to check voice mail, cellular voice mail, the fax machine and e-mail, all in one place. Layer three could potentially be our largest source of future revenue through the portals. This is where we will have the content people are willing to pay for on an as-needed basis — on-line games, audio streaming and video services such as pay-per-view TV.

Web portals, such as MyBC.com, allow users to personalize their own home page to meet their regional information needs.

In 1999 we also spent $44 million expanding our high-speed Internet availability from 10 to 37 communities in Alberta and British Columbia. By year-end, we had more than 25,000 customers, and we intend to more than triple that next year. In 2000 we will spend more than $150 million to further expand our Internet facilities and e-commerce applications.

Growth in the Internet, combined with digital network technology and mobile data devices, will allow for new value-added services for TELUS Mobility customers as well. Wireless Internet access, e-mail and portal-based information services are all possibilities we will be investigating and trialling in 2000.

COMPETITIVE SUCCESS

In this information era, the growth of data is attracting new entrants to the communications market faster than ever. In recent years we have seen competitors raise money to build their own facilities and target high-spending market niches. Some have offered lower pricing. Some have claimed improved service. But the fact is, despite competition, we have maintained a strong competitive edge.

Interactive Commerce provides quick access for customers worldwide.

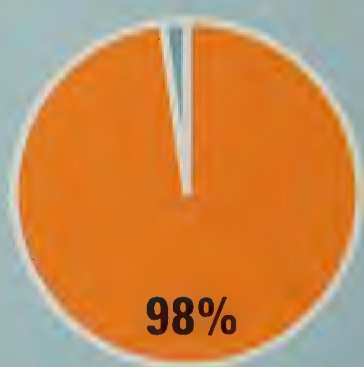
Our value proposition to the customer is about more than price, pipe or fibre. As a full-service provider, we offer the customer distinct advantages. We realized quickly that the Internet would change the face of business and that it would be a springboard to launch many new products and services, while capitalizing on the strong product and service offerings we spent years developing.

We have remained forward-thinking, flexible and responsive to our customers' needs and market movement. This means constantly challenging ourselves to provide customers with new solutions for all their communications needs. We were the first Canadian company to provide bundles of services for consumers and contracts with price guarantees for businesses.

In 1999, we focused on a one-to-one marketing approach — working to treat every customer as an individual. Our goal is to understand enough about their needs to deliver the types of services they require in a cost-effective way. One way we do this is through bundling products and services — all in one package, for one price. For example, a residential customer may be looking for a combination of high-speed Internet, local and long distance service, plus several calling features. On the other hand, business customers like contracts with price guarantees for local and long distance service or wireless and Internet capabilities. Our wide breadth of products and services enables us to enhance our relationships with our customers by offering them the types of combinations they need.

While we contact every customer during the year, our market segmentation strategy, combined with our customer database information, allows us to specifically target high-value customers, providing the best return on our investment. In 2000, we will continue to focus on aggressive retention strategies to sustain current customers. At the same time, we understand that in order to grow, we need to deliver solutions that go beyond our western borders.

LOCAL MARKET SHARE



WE SUCCESSFULLY MAINTAINED HIGH LOCAL MARKET SHARE BY OFFERING SERVICE BUNDLES FOR CONSUMERS AND CONTRACTS FOR BUSINESSES.

"IN MY JOB I'VE GOT TO STAY CONNECTED. I NEED THE CELL PHONE, THE PAGER, AND THE SUPER-FAST INTERNET — ALL THE COOL TOYS THAT KEEP ME TUNED IN." **Richard Waring** – *TELUS customer,* Vancouver

WIRELESS MARKET SHARE

FACED WITH THREE COMPETITORS, WE LEAD THE MARKET IN MARKET SHARE AND REVENUE PER CUSTOMER ($60 PER MONTH).

CREATING REVENUE GROWTH IN CENTRAL AND EASTERN CANADA

In Central and Eastern Canada, we're targeting primarily complex small to medium business customers and select large national accounts.

[illegible] ARE TRANS- [illegible] TELECOM INDUSTRY [illegible] RESPONDED [illegible] BECOMING A NATIONAL [illegible]

Our national initiatives are designed to create new wealth for our shareholders by doing what we do best — by understanding our customers' businesses before we try to sell them products and services.

Our market research tells us the small- and medium-sized business markets in Eastern and Central Canada are underserved. Our strategy is based on attracting these customers and competing on service — not just price. That's what our customers want first and foremost, and we intend to provide it.

In November, we opened our sales office and network operations centre in downtown Toronto to offer selected data and wireline services to customers in Toronto, Sarnia and Winnipeg. In early 2000 we will focus on new markets in Ottawa, Montreal and Quebec City, as well as other cities in southern Ontario, with plans to rollout products and services in at least 20 more cities in Central and Eastern Canada by the end of 2000.

We signed major agreements with Lucent Technologies, to supply the technology and equipment for our next generation network, and Newbridge, to provide high-speed switches, enabling us to offer enhanced data services. In January, we signed an agreement with NORTEL to provide

TELUS AND CONCORD ADEX DEVELOPMENTS CORP. HAVE PARTNERED TO CREATE CITY PLACE, CANADA'S MOST TECHNOLOGICALLY ADVANCED RESIDENTIAL COMMUNITY. **Marc Hewitt** – *City Place,* Toronto

OUR EDMONTON TO TORONTO FIBRE NETWORK IS SCHEDULED TO BE COMPLETED BY THE END OF 2000. OUR DETROIT TO MONTREAL FIBRE NETWORK IS TO BE OPERATIONAL BY MID-2000.

fibre optic switches. Our high-capacity fibre network connects TELUS' Vancouver to Seattle network with GTE's network span to Detroit, and will link to Toronto and Montreal in 2000.

We've also been establishing the infrastructure we need to operate as a national carrier. In the summer we hired Worldwide Fiber Inc. to lay fibre-optic cable from Edmonton to Toronto, which is scheduled for completion by the end of 2000. We also plan to connect to Halifax, on the east coast, by mid-2001. In the meantime, we are leasing facilities and using resale agreements with other providers so we can offer enhanced data, voice and wireless services to customers who prefer to work with TELUS.

> OUR VALUE PROPOSITION FOR CENTRAL CANADA IS BASED ON OFFERING OUR CUSTOMERS INTEGRATED COMMUNICATIONS SOLUTIONS — ALL ON ONE BILL, FROM ONE COMPANY WITH ONE SINGLE POINT OF CONTACT.

Our wireless business is expanding nationally as well. By March 2000 we will launch national wireless services in Ontario, Saskatchewan and Manitoba through a resale agreement among the Mobility Canada members. We have established distribution channels through an approved dealer network and are looking to build our own national wireless network. The resale agreement allows the Mobility Canada companies to resell wireless services in each other's territory using existing roaming settlement processes.

We have also expanded our operating territory through our Advertising Services business which publishes 21 directories in the Ontario market and 11 in Texas. Growth plans include expansion into other forms of advertising media — looking after the advertising sales for our new portal sites — and developing the "Go Pages™," a mini-directory for cell phone users.

Our value proposition for Central and Eastern Canada is based on offering our customers integrated communications solutions — all on one bill, from one company with one single point of contact — hence the name we've chosen in the East, TELUS Integrated Communications.

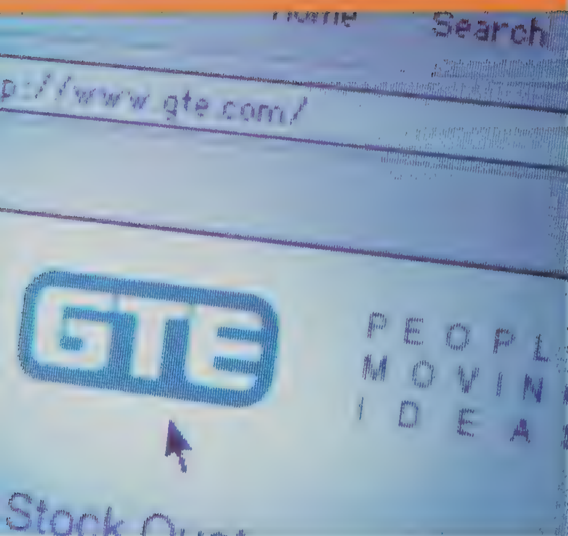
We intend to provide local service, wireless, long distance and data products — including internetworking services, Internet applications and managed application services — that can be bundled to meet individual customers' needs.

At the same time, we understand the huge challenges that lie before us. These are tough markets, and we anticipate strong competition in the future. However, we believe our entrepreneurial spirit in the East will keep us nimble and give us major advantages over incumbents. Our team is led by Cynthia Lewis, who has a fresh perspective as she came to us from another industry; her leadership is combined with a seasoned sales and marketing team with experience in telecommunications. We're committed to offering customers more value for their communications spending, while being responsive in a way that customers have not seen before.

Given training and sales cycle lead times, we expect to see sales from our national initiatives hitting stride in the second quarter of 2000, with a goal of $350 million in new national revenues by 2002.

A single communications provider simplifies business and offers quality service.

REALIZING MERGER BENEFITS



The benefits of our GTE alliance include exclusive use of their products and services in Canada and access to their renowned research and development.

[illegible] PARTNERSHIPS, [illegible] ACQUISITIONS — THESE [illegible] ARE NOT JUST DESCRIP- [illegible] THE GROWTH OR COST [illegible] THEY DEFINE THE KEY [illegible] IN TODAY'S DYNAMIC COMMUNICATIONS MARKET

In this Internet era, traditional barriers of time and distance are being erased as the world moves toward large global suppliers. Our partnership with GTE gives us this reach. They are a global player, and we are their Canadian partner.

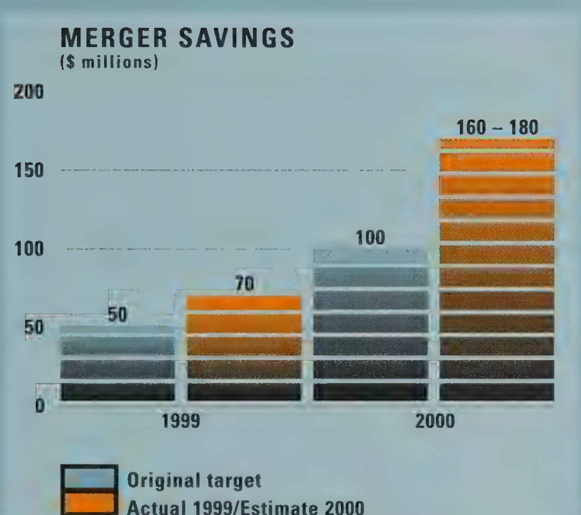
This strategic alliance gives us access to GTE's global partnership programs, worldwide network infrastructure, exclusive use of their products and services in Canada and access to their renowned research and development.

In the last half of 1999, we better organized ourselves to work with GTE. We set up a project team that enables TELUS business units to partner with GTE business units to provide seamless service delivery to joint customers, and to facilitate the purchase of telecom services from one another. We have also begun to achieve significant Information Technology capital and operating cost reductions, and estimated purchasing savings of $15 million for 1999. At the same time, we are trialling certain GTE services, such as a virtual private network and interactive e-billing. We expect to launch these and other advanced data and Internet services in 2000.

Through integration efforts in the West, the merger allowed us to realize $70 million dollars in savings in 1999. In 2000, continued integration will help us to more than double our savings.

Other major milestones in 1999 included selecting Burnaby as our head office location, completing the majority of management selections and uniting the two companies under the TELUS brand name, with the brand launch in British Columbia. Our rebranding in October was highly successful, with more than 80 per cent "top of mind" brand awareness in British Columbia just two months after the launch.

While we've enjoyed many successes this year, we recognize that this is just the beginning. We're continuing to accelerate our pace as we execute our three strategic priorities: building on our leading position in Western Canada, creating revenue growth in Central and Eastern Canada and realizing the benefits of the merger.



Web portals grant competitive advantages.

More and more [illegible] are looking to the Internet as a [illegible] before they buy. [illegible] company's corporate [illegible]

"We had a web [illegible] happy with. We looked at TELUS [illegible] impressed with what [illegible] portal business through [illegible] We wanted an enhanced presence [illegible] but we didn't want to have [illegible] programmers. We wanted a [illegible] a solid track record in the web. [illegible] opinion, TELUS hosts one of the best [illegible] North America."

Today, you can reach Ralph's [illegible] hyperlink off the shopping segment [illegible] MyBC.com site. And Tim is also looking at [illegible] tional advertising options. "We've been [illegible] a little more on the web each year. We [illegible] put a banner ad on MyBC.com yet, but that's something we are looking into."

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis includes the following sections: Overview, Results of Operations, Liquidity and Capital Resources and Outlook. These sections should be read jointly with the audited consolidated financial statements on pages 42 through 59.

OVERVIEW

($ millions except per share amounts)	1999	1998	Change	%
Operating revenues	**5,872.3**	5,833.9	38.4	0.7
EBITDA (1)	**2,327.4**	2,318.7	8.7	0.4
Net income	**349.7**	66.9	282.8	–
Earnings per share before restructuring costs and extraordinary item	**2.58**	2.51	0.07	2.8
Earnings per share	**1.46**	0.27	1.19	–
Cash flow (2)	**1,735.5**	1,634.1	101.4	6.2
Cash flow per share	**7.34**	6.89	0.45	6.5
Capital expenditures	**1,199.2**	1,093.2	106.0	9.7

(1) Earnings Before Interest, Taxes, Depreciation and Amortization
(2) Cash from operations before working capital changes normalized to exclude the effects of restructuring activities

The major financial trends or changes in 1999 were:

- growth in Internet, information services, and enhanced local services
- competitive impacts on long distance revenue and Mobility revenue from lower pricing
- new marketing and information technology payments to GTE, partly offset by lower payments to Stentor
- a lower debt balance and related financing costs
- a merger-related restructuring charge of $466.3 million before income taxes.

RESULTS OF OPERATIONS

OPERATING REVENUES (EXTERNAL) BY SEGMENT

($ millions)	1999	1998	Change	%
TELUS Communications (Wireline)	**3,783.0**	3,827.0	(44.0)	–1.1
TELUS Mobility (Wireless)	**960.2**	989.0	(28.8)	–2.9
TELUS Advanced Communications *	**800.9**	697.3	103.6	14.9
National †	**3.5**	0.0	3.5	–
Other **	**324.7**	320.6	4.1	1.3
Operating Revenues	**5,872.3**	5,833.9	38.4	0.7

* Data, Internet and Information Services revenue
† Comprises Advertising Services Locator Group and WestVista directory operations
** Includes Advertising Services and Telecom Leasing Canada

Revenue and operations expense for 1998 have been restated in order to conform with the current presentation (Note 1a).

TELUS Communications revenue decreased due to lower long distance pricing, while TELUS Mobility revenue decreased due to lower pricing to compete with two recent entrants. TELUS Advanced Communications revenue increased due to higher information services and Internet services revenues.

LOCAL SERVICE REVENUE

	1999	1998	Change	%
Revenue ($ millions)	**3,195.0**	3,160.2	34.8	1.1
Network access lines (000s)	**4,551**	4,495	56	1.2
Local market share (estimated %)	**98**	99	–1	–
Cellular customers (000s)	**1,099**	963	136	14.1
Cellular market share (estimated %)	**58**	62	–4	–

TELUS Communications local revenue increased by $42.3 million (1.9%) due mainly to growth in enhanced services such as residential SmartTouch* and business Centrex, and moderate access line growth, despite the estimated $40.5 million lower business access revenues mandated under price cap regulation.

Mobility local revenue decreased by $13.8 million (2.0%) when compared to last year due primarily to new price plans, while average usage remained about the same at 218 minutes per month. Average monthly cellular revenue per customer (including long distance) was $60, lower than the $70 reported last year. Market share was down as the Company focused its efforts more on obtaining higher revenue customers and less on the pre-paid market.

Advanced Communications local revenue, which includes basic data service products, increased by $5.9 million (2.9%) due mainly to increased access volumes.

LONG DISTANCE REVENUE

	1999	1998	Change	%
Revenue ($ millions)	**1,609.1**	1,720.1	(111.0)	–6.5
Conversation minutes (millions)	**7,011**	5,333	1,678	31.5
Market share (estimated %)	**71**	70	1	–

TELUS Communications long distance revenue was $120.4 million (9.3%) lower due to the implementation of unlimited residential plans in the summer of 1998, reduced business rates implemented earlier this year, and lower settlement rates on inbound traffic from other carriers. Last year's revenue included a one-time $13.5 million reduction.

Mobility long distance revenue decreased by $7.9 million (6.2%) due primarily to lower rates.

Advanced Communications long distance revenue increased by $17.5 million (5.9%) due mainly to increased Internetworking volumes (high-speed connectivity between local area networks) and increased demand for bandwidth, partly offset by settlement adjustments with other carriers. One-time broadcast revenues of $3.0 million were recorded in 1998.

OTHER REVENUE

	1999	1998	Change	%
Revenue ($ millions)	**1,068.2**	953.6	114.6	12.0
Internet access customers (000s)	**313.4**	216.4	97.0	44.8

Other revenue includes service and equipment sales, directory and advertising sales, information services revenue, and consumer and other Internet revenues.

TELUS Communications other revenue increased by $34.1 million (12.7%) when compared with last year due primarily to higher telephone equipment sales and desktop computer lease revenue.

Mobility other revenue decreased by $7.1 million (4.2%) due mainly to lower revenues at Canadian Mobility Products (CMP). While unit sales of cellular telephones, pagers and accessories at CMP increased by 16%, revenue decreased due to lower prices.

Advanced Communications other revenue increased by $80.2 million (40.5%). New external contracts at ISM-BC, a 75%-owned information technology outsourcing company, increased revenues by $53.3 million. Revenues from consumer Internet access, as well as from Internet hosting, content and e-commerce increased by $26.9 million largely because of a 45% increase in customers, offset in part by lower rates on Internet dial-up plans. High-speed Internet customers increased to more than 25,000 from less than 5,000 a year ago.

In other segments, National revenues increased by $3.5 million due to Advertising Services Locator Group operations in Ontario (starting April 1999) and WestVista operations in the U.S. (starting May 1999). The remaining increase was due mainly to Advertising Services revenue growth in Alberta and British Columbia.

OPERATIONS EXPENSE BY SEGMENT

($ millions except employees)	1999	1998	Change	%
TELUS Communications	**2,388.4**	2,407.6	(19.2)	–0.8
TELUS Mobility	**595.0**	626.6	(31.6)	–5.0
TELUS Advanced Communications	**799.3**	785.9	13.4	1.7
National *	**41.3**	–	41.3	–
Other †	**177.6**	224.4	(46.8)	–20.9
Eliminations	**(456.7)**	(529.3)	72.6	–
Operations expense	**3,544.9**	3,515.2	29.7	0.8
Regular employees	**21,601**	22,499	(898)	–4.0

* Comprises TELUS Integrated Communications, Advertising Services Locator Group and WestVista, and Mobility national start-up costs
† Includes Advertising Services and Telecom Leasing Canada

Expense increases were due to higher net information technology payments, start-up costs associated with the national expansion, and higher costs associated with new revenue at Advanced Communications. Partly offsetting these increases were merger-related synergies of $70 million realized in 1999. Over 60% of the synergies were wage-related while the remainder included reduced expenses for advertising, consulting and systems.

TELUS Communications expenses were slightly lower than last year. Their share of the $61.2 million total payment to GTE for marketing and information technology, which commenced in February 1999, was $37.2 million, while payments to Stentor decreased by $29.6 million. Settlement costs with other carriers were $47.4 million lower due to lower rates. Costs of sales on contract work and telephone equipment sales increased by $14.2 million, while portable subsidy payments increased by $7.0 million. Synergies of more than $20 million were realized — largely offset by compensation increases.

Mobility expenses decreased by $24.6 million mainly due to lower hardware subsidies, dealer commissions and system development costs, partially offset by higher licence fees and technology payments, and other costs from the growing number of customers and cell sites. Expenses at CMP decreased by $7.0 million due to a lower cost of goods sold.

In the Advanced Communications segment, increased expenses at ISM-BC of $11.1 million arose from higher incremental costs associated with new external contracts. The remaining increase of $2.3 million arose primarily from installation costs for high-speed Internet services, partly offset by merger synergies.

In the National segment, $33.7 million was associated with establishing operations in Toronto and other centres — including an $18.5 million share of the marketing and information technology payment to GTE. Locator Group & WestVista directory operations had expenses of $7.6 million.

In the Other segment, expenses were lower due to the realization of synergies in corporate functions ($36 million), the discontinuance of TELUS Marketing Services ($18.4 million) and lower TELUS Multimedia market trial costs ($6.9 million). Partly offsetting this were higher Advertising Services costs related to growing revenues in Alberta and British Columbia, and other costs not recovered from operating business segments.

Expense eliminations decreased primarily due to lower priced services provided by the Advanced Communications segment to other TELUS segments.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

By segment

($ millions)	1999	1998	Change	%
TELUS Communications	**1,653.6**	1,686.5	(32.9)	–2.0
TELUS Mobility	**379.4**	375.3	4.1	1.1
TELUS Advanced Communications	**172.1**	151.9	20.2	13.3
National operations	**(37.8)**	–	(37.8)	–
Other operations and eliminations	**160.1**	105.0	55.1	52.5
EBITDA	**2,327.4**	2,318.7	8.7	0.4

EBITDA Margin * by segment

(per cent)	1999	1998	Change
TELUS Communications	**40.9**	41.2	–0.3
TELUS Mobility	**38.9**	37.5	1.4
TELUS Advanced Communications	**17.7**	16.2	1.5
TELUS	**39.6**	39.7	–0.1

* EBITDA divided by total revenue

DEPRECIATION AND AMORTIZATION (NOTES 1e and 1g)

($ millions)	1999	1998	Change	%
	1,062.1	1,021.9	40.2	3.9

About $19 million of the increase resulted from a full year's impact of the 1998 completion of new Mobility customer care and billing systems and the Alberta digital network. Growing capital assets in Advanced Communications contributed about $14 million. The remaining increase arose from other growing capital assets and the standardization of depreciation processes as part of merger integration activities.

OTHER INCOME (NOTE 3)

($ millions)	1999	1998	Change	%
	40.2	56.9	(16.7)	–29.3

Other income includes gains and losses, as well as recurring interest income, and charitable donation expense. A $36.9 million pre-tax gain was recorded in 1999 for the sale of real estate properties and investments in MediaLinx and Pacific Place Cable. In 1998, a $34.4 million pre-tax gain, net of non-operating and investment losses, was recorded for the sale of investments and other properties. Interest income was $13.3 million lower due to lower investment balances, while charitable donation expense increased by $8.2 million due mainly to a funding commitment to the University of Alberta for 1999. Sinking fund income and other items increased by $2.3 million.

FINANCING COSTS (NOTE 4)

($ millions)	1999	1998	Change	%
	188.7	232.1	(43.4)	–18.7

Financing costs decreased due mainly to net debt repayments in 1999 and 1998. Also contributing to lower financing costs were foreign exchange gains of $9.4 million in 1999, compared with foreign exchange losses of $8.5 million in 1998.

INCOME TAXES (NOTE 5)

($ millions)	1999	1998	Change	%
Income before income taxes and non-controlling interest	**650.5**	1,121.6	(471.1)	–42.0
Income taxes	**296.9**	519.5	(222.6)	–42.8

Income taxes decreased primarily due to the reduction in income before income taxes and non-controlling interest.

RESTRUCTURING COSTS ($466.3 MILLION) (NOTE 1a) AND EXTRAORDINARY LOSS ($530.6 MILLION) IN 1998 (NOTE 6)

A restructuring charge was recorded in 1999 for the expected costs to complete merger-related restructuring activities. In 1998, BC TELECOM announced a change from regulated accounting practices to generally accepted accounting principles, similar to steps taken previously by most Canadian and U.S. telecommunications companies, including TELUS Corporation in 1997.

YEAR 2000 PROGRAM

The total expense associated with the Year 2000 readiness program was just under $80 million since inception, with approximately $27 million spent in 1999 and approximately $32 million in 1998. TELUS experienced no significant Year 2000-related problems or outages during the rollover.

LIQUIDITY AND CAPITAL RESOURCES

CASH AND TEMPORARY INVESTMENTS (BANK INDEBTEDNESS)

($ millions)	1999	1998	Change	%
	(32.3)	81.4	(113.7)	–

Cash balances available at the end of 1998 were used to reduce debt in 1999.

OPERATING ACTIVITIES

($ millions)	1999	1998	Change	%
Cash provided by operating activities adjusted for restructuring costs	**1,735.5**	1,634.1	101.4	6.2
Net change in non-cash working capital	**(90.4)**	(137.8)	47.4	34.4
Cash provided by operating activities	**1,645.1**	1,496.3	148.8	9.9

Cash provided by operating activities, adjusted to exclude the impact of restructuring, improved in 1999. This was mainly due to lower net financing costs, an improved EBITDA and lower cash income taxes. The use of cash due to working capital changes in 1999 was mainly due to the payment of restructure termination costs, higher income taxes receivable, and higher inventory, partially offset by a decrease in prepaid expenses and other. The working capital change in 1998 was due mainly to a reduction in accounts payable and an increase in prepaid expenses and other.

INVESTING ACTIVITIES

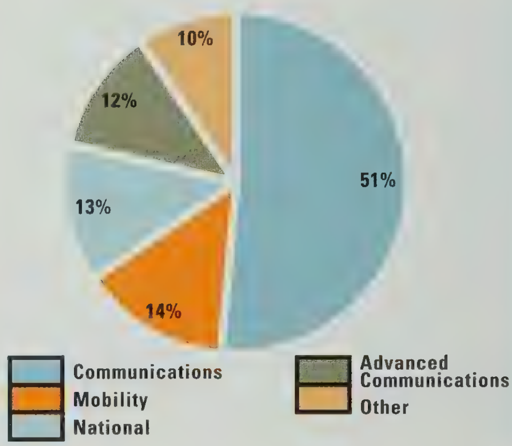
($ millions)	1999	1998	Change	%
Cash used by investing activities	**1,198.3**	1,035.6	162.7	15.7

Cash used by investing activities increased in 1999 due mainly to construction of a national fibre network and establishment of operations in Toronto and other cities, as detailed below. Proceeds from the sale of investments and assets were $51.8 million lower than in 1998. Merger transaction costs of $51.9 million were recorded in 1999. The increase in capitalized leases receivable was $41.8 million in 1999 and $24.4 million in 1998. Other investing activities for 1999 and 1998 were primarily reductions in plant-related inventory, salvage and other adjustments to capital assets.

CAPITAL EXPENDITURES BY SEGMENT

($ millions)	1999	1998	Change	%
TELUS Communications	**617.5**	677.0	(59.5)	–8.8
TELUS Mobility	**165.2**	192.6	(27.4)	–14.2
TELUS Advanced Communications	**147.3**	104.4	42.9	41.1
National	**155.3**	–	155.3	–
Other	**113.9**	119.2	(5.3)	–4.4
Capital Expenditures	**1,199.2**	1,093.2	106.0	9.7

1999 CAPITAL EXPENDITURES



Capital expenditures increased due to construction of a national fibre infrastructure and the establishment of operations in Toronto and other cities. By year-end, 3,600 dark fibre route km were constructed. Three cities were in service, along with one voice switch and four ATM switches.

TELUS Communications capital expenditures were lower due to the wind-down of several projects including local number portability, a new area code for northern Alberta in 1998, and local competition. Mobility expenditures were lower due to completion of a customer care and billing system in 1998, and the rollout of the Alberta digital network in 1998. Advanced Communications capital expenditures increased primarily because of expansion of ADSL high-speed Internet services ($44.4 million).

Other capital expenditures decreased due mainly to the implementation of SAP financial systems in British Columbia in 1998. Lower infrastructure construction costs for the multimedia trial ($20.9 million) were offset by building upgrades and earthquake protection programs.

FINANCING ACTIVITIES

($ millions)	**1999**	1998	Change	%
Cash used by financing activities	**560.5**	776.0	(215.5)	–27.8

The only long-term debt issue in 1999 was an increase in capital leases. The amount of long-term debt retired in 1999 was $258.4 million, while in 1998, $934.3 million in long-term debt was retired and short-term debt increased by $494.5 million. In the summer of 1999, TELUS arranged medium-term note programs of $1 billion in BCT.TELUS, and $700 million in each of TELUS Communications (B.C.) Inc. (TCBC) and TELUS Communications Inc. (TCI). At year-end, there was $195 million in medium-term notes outstanding. There were no issues under the new medium-term note programs.

The merger of BC TELECOM Inc. and TELUS Corporation came into effect on January 31, 1999 (see Note 1a). The small repurchase of shares recorded in 1999 reflects a redemption of fractional shares for cash as part of the exchange of shares on the merger. The repurchase of common shares recorded in 1998 reflects a normal course issuer bid that TELUS Corporation had in place until August 1998. Common shares issues during 1999 were due to exercised stock options.

Dividend payments increased by $25.2 million due to the increase in the dividend rate paid to shareholders of TELUS Corporation after completion of the merger. This was offset slightly by a lower number of shares outstanding.

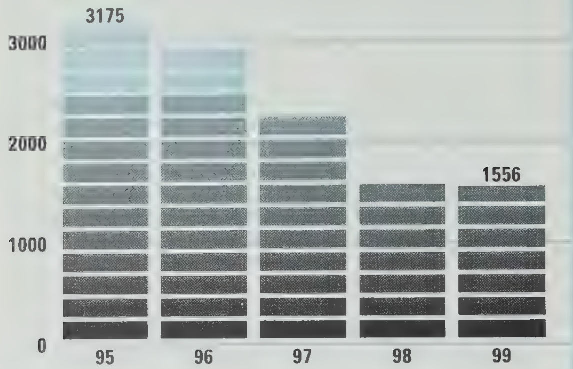
Credit Facilities

TELUS maintains short-term commercial paper programs with an approved maximum of $1.3 billion supported by committed bank credit facilities. At year-end, $627 million was outstanding under the commercial paper programs, and $380 million was reclassified to long-term debt. This $380 million portion of commercial paper is supported by long-term bank credit facilities.

LIQUIDITY AND CAPITAL RESOURCE RATIOS

(per cent)	**1999**	1998	Change
Debt to total capitalization	**33.0**	35.5	–2.5
Net debt to total capitalization (net of sinking fund assets)	**31.9**	34.2	–2.3
Cash flow to net debt	**81.3**	66.1	15.2
Construction funded internally	**109.3**	108.5	0.8

LONG-TERM DEBT
($ millions)



CREDIT RATINGS

	CBRS	DBRS
BCT.TELUS		
Debentures	A	A
Medium-term Notes	A	A
Commercial Paper	A-1	R-1 (middle)
TELUS Communications (B.C.) Inc. (TCBC)		
First Mortgage Bonds	A+ (High)	A (high)
Debentures	A (High)	A (high)
Medium-term Notes	A (High)	A (high)
Commercial Paper	A-1	R-1 (middle)
Preferred Shares	P-2 (High)	Pfd-2 (high)
TELUS Communications Inc. (TCI)		
Debentures	A	A (high)
Medium-term Notes	A	A (high)
Commercial Paper	A-1	R-1 (middle)

Canadian Bond Rating Service (CBRS) reaffirmed the rating of A-1 on BCT.TELUS commercial paper in August 1999 and assigned a rating of single-A to the new medium-term note program. Ratings for TCI commercial paper and senior debentures were reaffirmed and a rating of single-A was established for the new medium-term note program. The rating for TCBC First Mortgage Bonds was reaffirmed at A+ (High). Other ratings for TCBC were revised to A-1 from A-1 (High) for its commercial paper, to P-2 (High) from P-1 for preferred shares, and to A (High) from A+ (Low) for debentures and medium-term notes. Before the downgrades, the TCBC's ratings were the strongest in the Canadian telecom industry and these downgrades bring the Company's ratings in line with CBRS's industry benchmarks. CBRS indicated that the previous ratings were no longer appropriate due to a perceived threat of impending competition in the local, long distance and high-speed Internet access markets. The outlook for all ratings was 'stable.'

In July 1999, Dominion Bond Rating Service (DBRS) confirmed its ratings for: BCT.TELUS commercial paper and debentures; TCI commercial paper and senior debentures; and TCBC commercial paper, first mortgage bonds, debentures, medium-term notes and preferred shares. On August 13, 1999, DBRS assigned ratings for the new medium-term note programs: single-A for BCT.TELUS and A (high) for both TCI and TCBC. The trend for all ratings was 'stable.'

OUTLOOK 2000

Canadian Telecommunications Industry

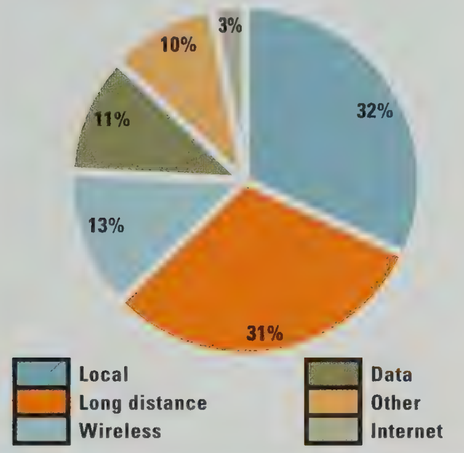
The Canadian telecommunications industry entered into an era of competition a decade ago. This has involved ongoing deregulation that has encouraged many new entrants into the industry. The full impact of these developments took hold in 1999 as the Canadian telecom landscape changed dramatically and events accelerated. These included the TELUS merger and the dismantling of the Stentor alliance of regional telcos. There was also the creation of Bell Nexxia and Bell Intrigna (Bell Canada and Manitoba Tel partnership) to enter Western Canada, the merger of AT&T Canada with MetroNet, Ameritech's 20% investment in Bell Canada and the success of new digital cellular entrants, Clearnet and Microcell.

In addition, we have also seen a global consolidation through a series of mergers among telecommunications companies, but also across

industry lines such as a U.S. long distance company, AT&T, with a cable TV company, TCI, and recently an Internet company, AOL, with an entertainment company, Times Warner. As a result, most Canadian communications players have moved to align themselves with large global strategic partners, mainly U.S.-based.

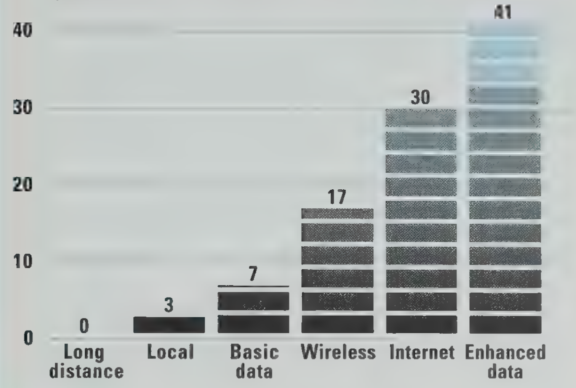
In 1999, the Canadian telecom industry generated revenue of about $28 billion, of which Bell Canada and its affiliated regional telcos controlled more than half and TELUS over a fifth. There are more than a dozen other companies competing for the remaining quarter of the market.

COMPONENTS OF 1999 ESTIMATED CANADIAN INDUSTRY REVENUE



The 1999 revenue growth in the Canadian telecom market was about 5%. However growth rates varied widely among the various services, with Internet and data leading the way with double-digit growth, while long distance decreased due to lower prices. As you can see below, we expect a range of growth rates going forward over the next five years. In Western Canada, TELUS is a supplier of all these services, and next year we will be providing these services in Central Canada.

CANADIAN 5-YEAR ESTIMATED ANNUAL REVENUE GROWTH TO 2004
(per cent)



Graph sources: Company research of public information and estimates.

These growth trends give credence to industry observers who are forecasting unprecedented growth in traffic (volume), many new users and an explosion of new communications services and applications. This is to be fuelled by continuing technology advances, rapid growth of the Internet and e-commerce, and cross-industry mergers, acquisitions and alliances. Decreasing prices and continued emergence of new providers is also expected. Clearly the industry remains one of many opportunities, but also many challenges.

Reporting Back

The following key issues from 1999 were identified in last year's TELUS Annual Report. Generally all these issues were important to the Company's progress and valuation last year.

Local, long distance and wireless competition in our western urban markets

Despite Sprint Canada's and AT&T's increasing presence in major western cities, we held local and long distance market share very well. We expected less long distance competition last year as competitors focused on local entry. Our competitive pricing policies for long distance, instituted in mid-1998 and 1999, plus bundling of services, were effective. By 1999, the quarterly year-over-year decreases in long distance revenue were moderating.

In the wireless business, TELUS chose not to concentrate marketing resources into the low revenue and high churn pre-paid customer segment and instead sustained its position in the higher revenue business segment. Given the fast growth in the pre-paid segment, our market share decreased by four points during the year. In addition, we had forecasted a 10% drop in average cellular monthly revenue per subscriber to $63, which turned out to be $60 in 1999. This can be attributed to several factors including a slowdown in the Alberta oil and British Columbia forestry sectors in the first half of the year and faster migration onto discounted rate plans.

The table below compares 1999 market share actuals to the expectations provided to shareholders in last year's Annual Report:

MARKET SHARE

	1999 Estimate	**1999 Actual**
Local	95%	**98%**
Long distance	70%	**71%**
Wireless	58%	**58%**

Positioning for fast growth of Internet access services and commercial applications

We led Canadian telcos with our aggressive rollout of high-speed Internet by doubling our original capital spending plan to $44 million. This enabled us to sign up more than 25,000 high-speed customers by year-end and, in total, to reach 313,000 Internet customers — a yearly increase of 45%.

Launch of TELUS data business into Ontario and Quebec. Valuation of our mature businesses separately from the growth businesses, including the new national business

Our competitive thrust into Eastern Canada began in Ontario with an initial November launch, but not into Quebec as previously expected. This was due to the complexity of the business and the longer time it took to put in place management, a sales force, the services and the network and support infrastructure. As a result, we believe the investment community is not yet ascribing full value into the TELUS share price for our $200 million investment in the national start-up businesses.

Success of integrating the British Columbia and Alberta operations without negatively impacting customer service — while achieving at least $50 million of cost efficiencies

The integration of British Columbia and Alberta operations as a result of the February 1999 merger is an ongoing two-year task. This year the Company overachieved on the estimated $50 million cost savings by an additional $20 million. We saw some 1,500 employees leaving their jobs from job duplication at the executive and management level and voluntary retirement programs for unionized workers. This resulted in a 900 net decrease after new hiring and redeployment to the growth parts of the business. This amount of change, combined with high demand for certain services such as second lines and high-speed Internet, caused stress to employee morale, union relations and at times customer service levels — for example, installation wait times.

Begin achieving good value for the 10-year technology and exclusive marketing agreement with GTE

Another crucial benefit from the merger was the strong alliance with a global player, GTE Corporation. With some $36 billion of annual revenue, GTE is a telecom company that is in the midst of a merger with Bell Atlantic. We entered into a 10-year marketing and technology agreement with GTE and have taken advantage of GTE's purchasing power for estimated discounts of $15 million. In addition, alliance payments to Stentor have been reduced by $30 million. In the

last half of 1999, we organized to better achieve ongoing benefits from GTE in the areas of operational system savings and new product and service introductions over the next several years. These initiatives should cause us to roughly break even on the payment to GTE of US$45 million in 2000 and are estimated to exceed the US$50 million to be paid in 2001.

Finalizing Year 2000 compliance for our networks and computer systems
As explained previously, the TELUS and industry preparations to avoid Year 2000 network and computer system problems was a success, with no significant disruptions in service or systems.

Other issues
The August and September turnover of four executive management positions, including the Chief Financial Officer, President of TELUS Mobility and Chief Executive Officer, was unexpected. This clearly contributed to downward pressure on the TELUS share price in the fall. From the merger closing price of $40 per share in early 1999, the shares reached a low of $28.20 in November, but enjoyed a strong recovery through December (traded up to the $37 area and closed the year at $35.15) and back to the $40 range in February.

Key Issues for 2000

Important issues for investors to watch for in 2000 include:

- Appointment of a new President and CEO of TELUS and a President of TELUS Mobility
- Effectiveness of local competitors in our western urban markets
- Ramp-up of national sales beginning in the second quarter and extension of service to up to 20 more cities
- Access to digital/PCS spectrum outside Western Canada, which would allow the Company to compete more economically on our own facilities, rather than by cellular resale. Industry Canada expects to auction 40 MHz of PCS in the fall of 2000
- Investors ascribing more value (or lower discount) in the overall TELUS share price for its wireline, data, wireless and national assets
- Success completing the integration of British Columbia and Alberta operations without negatively impacting customer service due to rapid change in processes or labour unrest — while achieving $160 to $180 million of cost efficiencies
- Ability for the Company to capture a share of the fast growing market for high-speed Internet access services, web portal and content business and e-commerce applications
- Progress at Mobility to capture a larger share of the fast growing personal pre-paid segment. Also by increasing the digital base and introducing new wireless data and Internet services under development, a basis for future revenue growth can be created
- Achieving the financial earnings targets outlined below.

Financial Expectations for 2000

TELUS expects improved financial performance in 2000.

- Overall consolidated TELUS earnings per share will likely be in the range of $2.47 to $2.57, subject to a determination of our tax rate later in the year
- Included in our earnings per share are increased start-up losses for our National operations (telecom, cellular resale and directory advertising)
- Consolidated revenue growth is expected to be in the range of 2% to 3% from a base of $5.9 billion

- Merger cost savings are expected to ramp up next year to a range of $160 to $180 million ($70 million in 1999)
- Earnings before interest, taxes, depreciation and amortization (EBITDA) is targeted to increase by 4% to 6% from $2.3 billion
- Operating cash flow, before restructuring charges, is expected to increase by approximately 10% from $1.7 billion
- Capital spending is expected to increase approximately $150 million to around $1.3 billion, as TELUS invests a higher proportion into high growth initiatives such as the national rollout, high-speed data and Internet access and e-commerce
- Revenues from National expansion are expected to approach $350 million by the year 2002.

Revenue growth in 2000 is expected from data (10–12% range), which includes over 30% growth in Internet, resumed wireless growth, and national start-up. Partially offsetting this will be slightly lower wireline revenues due to regulated decreases of about $47 million under the local price cap formula (4.5% productivity factor less inflation factor) and competitive inroads as we expect to lose about 3% local market share. Wireline will generate increased revenues from sales of enhanced services, second lines and wholesale operator services.

Operations expenses of $3.5 billion in 1999 are expected to be up slightly in 2000. The $90 million to $110 million of additional synergy savings in 2000 are expected to be offset by increased expenses in the growth areas of the business such as the national rollout and data and Internet services. Depreciation expense should be up only slightly.

It should be noted that these 2000 projections are subject to a number of forecast sensitivities that are very real given today's competitive activity and fast changing environment. The sensitivities include, but are not limited to, those listed in the next section.

With a low net debt to total capitalization ratio of 32% at the end of 1999 and a long-term target in the 40% area, the Company has significant capacity to raise additional debt. TELUS believes that its internally generated cash flow combined with its ability to access external capital provides sufficient resources to finance its cash requirements during 2000.

TELUS has $327 million of debt due within one year. The combination of a commercial paper program, a revolving line of credit and internal cash flow is available to repay our obligations. It is likely that some longer term debt will also be raised under one or more medium-term note programs.

The 1999 quarterly dividend for TELUS was 35 cents for common and non-voting shares. It is expected that dividends in 2000 will continue at this rate. However, the Board of Directors makes this decision on a quarter-by-quarter basis.

Based on the current situation, the financial position of TELUS should remain strong in 2000.

Risks and Uncertainties

Competition

The most significant uncertainties facing TELUS in the coming year relate to additional competition that not only affects customer growth rates but also revenue growth, if prices decrease too quickly.

TELUS expects increased competition in 2000 primarily in the local marketplace, which was opened up by the federal regulator in 1998. Although competitors entered the local market

quite slowly, this began to change in the last half of 1999. Sprint Canada began their national launch in Calgary in February, Vancouver in August and Toronto and other eastern locations in the fall of 1999. In addition, AT&T Canada, who merged with MetroNet, has been increasingly active. Bell Nexxia and Bell Intrigna have spent 1999 preparing their competitive networks and have begun to market their business services in various urban markets with an expected launch in the first half of 2000. GT Group Telecom's deal to acquire Shaw Fiberlink late in 1999 will provide them with significant local fibre facilities in Western Canada.

In addition, there are more than a dozen niche competitors that are in various stages of start-up (e.g. Cannect Communications, RSL Com, OCI, Norigen, Excel, Qwest and various Internet Service Providers). These new entrants may alienate some customers with unwanted choice and sales pitches, but many appear well capitalized and may impact general pricing levels and gain some market share. Some of these companies are offering fibre-optic facilities in and between certain city locations and are aligned with other partners such as cable TV companies (e.g. GT Group Telecom).

In 1999, cable TV companies enjoyed success in their high-speed Internet access business. Telecommunication companies across North America are also working on their competitive Internet access products such as Asynchronous Digital Subscriber Loop (ADSL) and G-Lite that successfully run on the copper network. TELUS plans to spend $72 million in 2000 on this initiative and will carefully assess that spending during the year. We will monitor customer demand and determine the need to extend high-speed Internet services to a greater number of households — currently 60% of the urban target market or about 46% overall.

Long distance competition should continue to moderate in 2000 as competitors will likely want to maintain margins and cash flow to fund the cost of their entry into the local service business. We believe price competition in local will not occur to the same extent it did in long distance, however we do expect discounting through bundling of multiple services. We must remain responsive to major competitors should they initiate price reductions on a stand-alone basis or through local, Internet and wireless service bundles.

Cellular competition will remain strong in 2000 with four other companies active in the market — Rogers AT&T Wireless, Clearnet, Microcell and beginning in March, Bell Mobility by way of resale. TELUS will begin cellular resale in March 2000 in Ontario, Saskatchewan and Manitoba. Certain competitors have been successful in attracting lower paying customers using pre-paid offers. We have responded in only a limited way with competitive pre-paid offers of our own, but we continue to successfully focus on the higher end post-paid part of the market. TELUS has only 6% of its 1.1 million cellular customers on pre-paid plans. As a result, we should continue to enjoy one of the highest average revenue per customer rates (1999 $60 per month) in Canada, but it will likely fall by around 10% this year as we move more aggressively into the pre-paid market.

Two other areas of competition, which may negatively impact our wireline local business over the next several years are digital wireless phones and Internet telephony. One cellular competitor encourages customers to substitute a digital wireless phone for the fixed home phone line. As a full-service provider, TELUS can obviously respond should this become a sizeable trend. Many Canadian and U.S. cable TV companies

are running trials of cable telephony and voice over the Internet and may launch some form of local and long distance service within the next one or two years. TELUS is running trials of its own and working with GTE on having its own Internet-based telephone services as the technology is perfected.

Regulation

In 2000, Industry Canada is expected to hold an auction for a reserved 40-MHz block of additional digital/PCS spectrum. TELUS is participating in the current public proceeding that will set the ground rules for the auction and plans to be a bidder. Winning spectrum outside TELUS Mobility's current operating territory at a reasonable price would enhance our plans to offer wireless service nationally. We believe the economics of owned facilities will be superior to resale. However, there is no assurance that:

- the auction will take place in 2000, as some competitors are lobbying to delay it
- the auction rules or amount of spectrum available will be ideal for our business case or
- we will win spectrum in the auction.

In the absence of national wireless spectrum, TELUS may consider acquisitions as an alternate way to obtain spectrum.

CRTC regulatory proceedings that could affect operations in 2000 include access to public rights-of-way. This issue is important to our planned fibre builds in Toronto, Ottawa and Montreal as well as other Canadian cities. We have not agreed to the access demands of the City of Toronto and in December 1999 asked the CRTC for an interim order. This order would allow us to proceed with construction, subject to the outcome of the CRTC proceeding that has been initiated to deal with a similar situation between Ledcor (a fibre-network construction company) and the City of Vancouver. It is expected this process will establish principles for future negotiations for access to municipal rights-of-way.

Technological Change

The pace and the scope of technological advancements in our industry is expected to continue to accelerate in the foreseeable future. This offers great opportunities, while at the same time presents many challenges.

A few key examples of the opportunities provided by technology include the following: The advancement in digital subscriber loop (DSL) technology allows us to extend the life of our copper plant while offering high value high-speed access services to our large customer base. The emergence of Internet Protocol (IP)-based network architecture creates unprecedented opportunities for us to develop new software-based services, such as e-commerce for customers, while increasing network efficiency by delivering both voice and data services on a single network infrastructure. The unprecedented opportunities in laser technology allow us to deliver more information faster on the existing fibre infrastructure, while reducing the cost. The advancements in digital cellular technology position us to emulate the rich service environment of wireline-based services with the added convenience of wireless.

Technological advancements also present us with many challenges. Two of the universal characteristics of technological advancements are lower unit costs and increasing flexibility. This creates opportunities for new competitors to offer price reductions and service differentiation to gain market share. Incumbent players in the market, such as TELUS in Western Canada, must invest in new technologies at a faster pace in order to remain competitive. TELUS and GTE must make the difficult timing calls of whether to invest

early or wait until new technologies have proven successful, been improved or failed. Existing business processes must also be continually revisited and upgraded to reflect the capabilities of the new technologies.

Human Resources

In the face of increasing competition from new entrants, technological change and increasing customer demands, attracting and keeping the best and brightest employees is increasingly important for a telecommunications company's success. The TELUS merger and the associated organizational change and downsizing has resulted in approximately 1,500 employees leaving the company and, as expected, a proportion have joined competitors. TELUS very carefully benchmarks to comparable companies to ensure we are paying competitively and continue to be an attractive employer for both current and new employees. However, TELUS and the telecom industry cannot ensure that shortages of skilled employees will not occur from time to time.

It is also increasingly important in this competitive environment that union agreements provide increased flexibility to meet evolving customer needs. TELUS applied to the Canada Industrial Relations Board (CIRB) for a common employer designation to combine various bargaining units. The CIRB hearing process, including mediation and arbitration to speed the process, has been proceeding for a year. As we bargain new agreements for some 16,000 employees, we must negotiate mutually acceptable contracts that balance customer needs with those of the employees, while taking account of the realities of our dynamic industry. The negotiating process always has the potential risk of labour unrest.

In 2000, TELUS employees must again cope with the distraction and inward focus of consummating a major merger — a two-year process. We have completed the difficult management selection process in 1999, but work continues on the more complex tasks of integrating systems and processes. For example, in 2000 we are consolidating three data centres into one and six network operating centres into two.

Growth Strategy

A crucial strategic focus of the merger in 1999 was the growth platform it created for TELUS. With continued competitive entry by new entrants in British Columbia and Alberta, revenue growth is slowing. Our revenue growth in 1999 was 1% compared to 5% the year before. We are launching into a market approximately double the size of our western market. We expect this will provide increasing revenue growth over the next few years (target of $350 million by 2002), but will require a significant amount of funds for capital expenditures and usual start-up losses.

In addition, we will be working hard to replace revenues lost to competitive activity in the West by concentrating on the growth businesses — data, Internet, e-commerce, wireless, enhanced wireline services, second lines and related opportunities.

Competitive Strategy

Competitive strategy at TELUS will revolve around tailoring our services to various customer groups and striving to provide excellent customer service, high-quality products and competitive pricing.

Given the large number of new competitors, we need to be very responsive to customer requests for information and service levels and pricing. We are also focusing on promotions to those customer segments — primarily business — that are most susceptible to competitive approach.

A key competitive tool available to a full-service provider like TELUS against niche players is product bundling. For example, for $47.79 per month, residential customers in Alberta receive local service, up to 11 enhanced services, plus a choice of one of three long distance discount plans starting at a $10 price point. For an additional $20.75, customers can add 100 hours a month of Internet use. Customers appreciate the simplicity, price certainty and convenience of dealing with only one telecommunications provider. We have sold more than 400,000 residential and business customers these types of packaged services in little over a year. In the business market, one-year contracts are being well received. These tools should prove useful in continuing to minimize market share losses.

On the digital cellular front, we will continue to be price competitive, while ensuring our customer satisfaction ratings remain high. We will continue to refine our offers of cellular, new digital enhanced features and/or long distance. We will also look to continue superior coverage and functionality for our customers with the continued rollout of tri-mode phones. These phones provide digital features at 1.9 GHz and 800 MHz and conventional analog service elsewhere across North America.

On the national front we are targeting the small- and medium-sized business sectors, plus a select list of large customers, that we believe we can serve nationally. We are pursuing a value proposition for customers that integrates advanced data, voice and cellular products. We are utilizing a service approach that focuses on a single point of contact, a single contract and a single bill — all combined with a superior customer care process. The sales force undergoes an intense two-month training and orientation before beginning the customer contact and complex sales process.

In competitive markets, a key marketing advantage is a well recognized brand. Research has proven that the TELUS brand name is an excellent one, well regarded not only in Western Canada but also in Ontario. With the explosion of Internet and communications companies in recent years, all attractive names with "tel" are long gone and competitors are stuck with less than memorable alternatives. The rebranding in British Columbia in the fall of 1999 was exceedingly well received and "TELUS" now commands a leading 80% "top of mind" awareness factor. The brand is increasingly recognized in Ontario and we will continue to build brand equity throughout 2000.

We believe that we must stay price competitive with our major competitors to maintain our healthy market share positions. Excellent service levels and well regarded brands cannot overcome non-competitive prices, especially in the more mass consumer markets. We are increasingly segmenting our markets to provide the proper balance of service, value, cost and price to ensure we are delivering consumer value with a fair return to our shareholders.

Our market share goals in Alberta and British Columbia remain aggressive for the end of 2000, as compared to 1999. We show these estimates below and the estimated impact on revenue of a 1% variance in these shares:

MARKET SHARES	2000 Estimate	**1999 Actual**	Estimated Revenue Impact of a 1% Change
Local	94 – 95%	**98%**	$ 15 million
Long distance	69 – 70%	**71%**	$ 9 million
Wireless	54 – 55%	**58%**	$ 15 million

QUARTERLY FINANCIAL DATA

Three Months Ended (millions)	March 31	June 30	Sept. 30	Dec. 31	**Total**
1999					
Operating revenues	$ 1,430.2	$ 1,454.8	$ 1,460.3	$ 1,527.0	**$ 5,872.3**
Operating expenses	1,126.7	1,147.6	1,136.8	1,195.9	**4,607.0**
Operating Income	303.5	307.2	323.5	331.1	**1,265.3**
Other income, net	2.3	3.5	5.7	28.7	**40.2**
Financing costs	46.6	45.2	50.3	46.6	**188.7**
Restructuring costs	466.3	–	–	–	**466.3**
Income (Loss) Before Income Taxes and Non-controlling Interest	(207.1)	265.5	278.9	313.2	**650.5**
Income taxes	(77.9)	130.1	134.2	110.5	**296.9**
Income (Loss) Before Non-controlling Interest	(129.2)	135.4	144.7	202.7	**353.6**
Non-controlling interest	0.4	1.1	0.4	2.0	**3.9**
Net Income (Loss)	(129.6)	134.3	144.3	200.7	**349.7**
Preference and preferred share dividends	1.1	0.7	0.8	0.9	**3.5**
Common Share Income (Loss)	$ (130.7)	$ 133.6	$ 143.5	$ 199.8	**$ 346.2**
Earnings (loss) per common share ($)	(0.55)	0.56	0.61	0.84	**1.46**
Earnings per common share before restructuring costs ($)	0.57	0.56	0.61	0.84	**2.58**
Average Common Shares Outstanding	236.6	236.6	236.6	236.6	**236.6**
1998					
Operating revenues	$ 1,438.1	$ 1,437.4	$ 1,451.2	$ 1,507.2	**$ 5,833.9**
Operating expenses	1,104.2	1,127.7	1,115.9	1,189.3	**4,537.1**
Operating Income	333.9	309.7	335.3	317.9	**1,296.8**
Other income, net	5.6	51.7	(10.2)	9.8	**56.9**
Financing costs	58.4	60.7	57.6	55.4	**232.1**
Income Before Income Taxes and Non-controlling Interest	281.1	300.7	267.5	272.3	**1,121.6**
Income taxes	135.6	135.3	126.0	122.6	**519.5**
Income Before Non-controlling Interest	145.5	165.4	141.5	149.7	**602.1**
Non-controlling interest	1.1	1.1	1.2	1.2	**4.6**
Income Before Extraordinary Item	144.4	164.3	140.3	148.5	**597.5**
Extraordinary Loss	530.6	–	–	–	**530.6**
Net Income (Loss)	(386.2)	164.3	140.3	148.5	**66.9**
Preference and preferred share dividends	0.9	0.9	0.8	0.9	3.5
Common Share Income (Loss)	$ (387.1)	$ 163.4	$ 139.5	$ 147.6	**$ 63.4**
Earnings (loss) per common share ($)	(1.63)	0.69	0.58	0.63	**0.27**
Earnings per common share before extraordinary item ($)	0.60	0.69	0.58	0.63	**2.51**
Average Common Shares Outstanding	237.3	237.1	236.6	236.6	**237.0**

MANAGEMENT'S REPORT

Management is responsible to the Board of Directors for the preparation of the consolidated financial statements of the Company and its subsidiaries. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts based on estimates and judgments. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal control which provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines which require employees to maintain the highest ethical standards.

The external auditors of the Company, Arthur Andersen LLP, have been appointed by the shareholders to express an opinion as to whether these consolidated financial statements present fairly the Company's consolidated financial position and operating results in accordance with generally accepted accounting principles. Their report follows.

The Board of Directors has reviewed and approved these consolidated financial statements. To assist the Board in meeting its responsibility, it has appointed an Audit Committee which is composed entirely of outside directors. The committee meets periodically with management, the internal auditors and the external auditors to review internal controls, audit results and accounting principles and practices. The committee's terms of reference are available, on request, to shareholders.

BABaptie

Barry A. Baptie
Executive Vice-President
and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BCT.TELUS COMMUNICATIONS INC.

We have audited the consolidated balance sheets of BCT.TELUS Communications Inc. as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Companies Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Arthur Andersen LLP

Arthur Andersen LLP
Chartered Accountants
Vancouver, B.C.
January 28, 2000

CONSOLIDATED STATEMENT OF INCOME

Years Ended December 31 (millions)	1999	1998
OPERATING REVENUES		
Local service	**$ 3,195.0**	$ 3,160.2
Long distance service	**1,609.1**	1,720.1
Other (Note 2)	**1,068.2**	953.6
	5,872.3	5,833.9
OPERATING EXPENSES		
Operations	**3,544.9**	3,515.2
Depreciation and amortization	**1,062.1**	1,021.9
	4,607.0	4,537.1
OPERATING INCOME	**1,265.3**	1,296.8
Other income, net (Note 3)	**40.2**	56.9
Financing costs (Note 4)	**188.7**	232.1
Restructuring costs (Note 1a)	**466.3**	–
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**650.5**	1,121.6
Income taxes (Note 5)	**296.9**	519.5
INCOME BEFORE NON-CONTROLLING INTEREST	**353.6**	602.1
Non-controlling interest	**3.9**	4.6
INCOME BEFORE EXTRAORDINARY ITEM	**349.7**	597.5
Extraordinary loss (Note 6)	**–**	530.6
NET INCOME	**349.7**	66.9
Preference and preferred share dividends	**3.5**	3.5
COMMON SHARE INCOME	**$ 346.2**	$ 63.4
EARNINGS PER COMMON SHARE ($)		
Income before restructuring costs and extraordinary item	**2.58**	2.51
Common share income	**1.46**	.27
AVERAGE COMMON SHARES OUTSTANDING	**236.6**	237.0

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years Ended December 31 (millions)	1999	1998
BALANCE AT BEGINNING OF YEAR	**$ 1,495.9**	$ 1,772.3
Net income	**349.7**	66.9
	1,845.6	1,839.2
Less – Preference and preferred share dividends	**3.5**	3.5
– Premium paid on repurchase of shares	**1.3**	33.8
– Merger costs (Note 1a)	**51.9**	–
– Common share dividends	**331.4**	306.0
BALANCE AT END OF YEAR	**$ 1,457.5**	$ 1,495.9

CONSOLIDATED BALANCE SHEET

As At December 31 (millions)	1999	1998
ASSETS		
Current Assets		
Cash and temporary investments	**$ –**	$ 81.4
Accounts receivable (Note 7)	**629.1**	659.7
Income taxes receivable	**69.0**	34.4
Inventories	**56.3**	46.1
Current portion of future income taxes	**266.0**	147.9
Current portion of sinking fund assets (Note 10)	**105.4**	32.8
Prepaid expenses and other	**120.5**	147.7
	1,246.3	1,150.0
Property, plant and equipment, net (Note 8)	**5,873.4**	5,827.6
Other Assets		
Deferred charges (Note 9)	**117.1**	121.8
Future income taxes	**420.8**	528.8
Sinking fund assets (Note 10)	**–**	92.8
Investments	**4.7**	5.1
Leases receivable	**66.3**	24.5
Goodwill (Note 1g)	**64.8**	68.0
Other	**17.7**	41.9
	691.4	882.9
	$ 7,811.1	$ 7,860.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	**$ 32.3**	$ –
Accounts payable and accrued liabilities	**929.8**	709.2
Dividends payable	**83.6**	77.4
Advance billings and customer deposits	**175.6**	169.7
Short-term obligations (Note 12)	**573.2**	781.9
	1,794.5	1,738.2
Long-term debt (Note 13)	**1,555.5**	1,608.7
Other long-term liabilities	**141.0**	161.0
Non-controlling interest	**12.4**	9.6
Shareholders' equity (Note 14)		
Common equity	**4,238.0**	4,273.3
Preference and preferred shares	**69.7**	69.7
	4,307.7	4,343.0
	$ 7,811.1	$ 7,860.5

Commitments (Note 15)

Approved by the Directors:

Harold P. Milavsky, Director

Ronald P. Triffo, Director

CONSOLIDATED CASH FLOW STATEMENT

Years Ended December 31 (millions)	1999	1998
OPERATING ACTIVITIES		
Income before extraordinary item	**$ 349.7**	$ 597.5
Items not affecting cash:		
Depreciation and amortization	**1,062.1**	1,021.9
Future income taxes	**(10.1)**	81.5
Non-cash restructuring related write-offs	**79.9**	–
Gain on disposal of property and investments (Note 11)	**(36.9)**	(46.3)
Sinking fund earnings	**(12.6)**	(11.4)
Other, net	**(26.1)**	(9.1)
Operating cash flow	**1,406.0**	1,634.1
Provision for future cash restructuring costs	**329.5**	–
Operating cash flow adjusted for restructuring costs	**1,735.5**	1,634.1
Net change in non-cash working capital	**(90.4)**	(137.8)
Cash provided by operating activities	**1,645.1**	1,496.3
INVESTING ACTIVITIES		
Capital expenditures	**(1,199.2)**	(1,093.2)
Proceeds from the sale of property and investments (Note 11)	**40.2**	92.0
Merger costs	**(51.9)**	–
Other	**12.6**	(34.4)
Cash used by investing activities	**(1,198.3)**	(1,035.6)
FINANCING ACTIVITIES		
Common shares issued	**3.5**	7.9
Repurchase of common shares	**(1.8)**	(47.7)
Dividends to shareholders	**(334.9)**	(309.7)
Long-term debt issued	**44.2**	13.9
Redemptions of long-term debt	**(258.4)**	(934.3)
Sinking fund withdrawal (contribution)	**32.7**	(2.0)
Change in short-term obligations	**(47.7)**	494.5
Other	**1.9**	1.4
Cash used by financing activities	**(560.5)**	(776.0)
Decrease in cash	**(113.7)**	(315.3)
Cash and temporary investments, beginning of year	**81.4**	396.7
Cash and temporary investments (bank indebtedness), end of year	**$ (32.3)**	$ 81.4
SUPPLEMENTAL DISCLOSURE		
Interest paid	**$ 204.7**	$ 249.6
Income taxes paid	**$ 341.6**	$ 517.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry. These statements conform in all material respects with International Accounting Standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The term "Company" is used to mean BCT.TELUS Communications Inc. and where the context of the narrative permits or requires, its subsidiaries.

(a) Business Combination

On January 31, 1999, the operations of BC TELECOM Inc. (BC TELECOM) and TELUS Corporation (TELUS) were merged to form BCT.TELUS Communications Inc. The merged Company is engaged in providing communications services and solutions for consumers and businesses.

The nature of the business combination was such that neither of the combining companies could be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial statements reflect the combined carrying values of the assets, liabilities and shareholders' equity, and the combined operating results of BC TELECOM and TELUS for all periods presented.

Under the terms of the merger, shares of BC TELECOM were exchanged on a one-for-one basis and shares of TELUS were exchanged on a one for 0.7773 basis for shares in BCT.TELUS Communications Inc. Subsequent to the exchange, the former shareholders of BC TELECOM held 52.5% and the former shareholders of TELUS held 47.5% of the 177,427,492 outstanding voting common shares of the combined company. On February 1, 1999, the closing market price of the BCT.TELUS Communications Inc. voting common shares was $42.50.

A summary of the book values of the assets and liabilities at the date of the merger is as follows:

(millions)	BC TELECOM	TELUS
Assets:		
Current assets	$ 476.3	$ 497.5
Property, plant and equipment, net	3,156.9	2,713.8
Other assets	388.4	604.5
	4,021.6	3,815.8
Less:		
Current liabilities	1,017.8	861.6
Long-term debt	883.7	558.5
Other liabilities	77.0	10.4
Non-controlling interest	9.7	–
Net assets	$ 2,033.4	$ 2,385.3

The operating results of BC TELECOM and TELUS for the month ended January 31, 1999 are as follows:

(millions)	BC TELECOM	TELUS
Revenue	$ 261.8	$ 215.3
Income before interest and taxes	60.6	35.2
Net income	29.5	15.3

A charge of $466.3 million was recorded in the first quarter of 1999 for the expected costs in 1999 and 2000 to complete merger-related restructuring activities. More than half of this charge is for management termination costs and the costs of voluntary early retirement programs. The business restructuring also included the rationalization of real estate, the impairment of assets in two start-up businesses that were reassessed in relation to national growth plans and consulting costs from merger integration activities.

Third party costs to effect the merger arrangement were charged to retained earnings in the first quarter of 1999. These costs totalled $51.9 million and included financial adviser fees, regulatory filing fees, legal and accounting fees, and printing and mailing costs.

The financial statements of BC TELECOM and TELUS have been adjusted to put the accounting methods used by the two companies on a common basis. As part of this process, TELUS Mobility Cellular Inc. has changed its accounting policies relating to the recognition of customer acquisition costs and access revenues. This change was applied retroactively and resulted in a prior period adjustment charging retained earnings with $25.3 million net of tax as at January 1, 1998. The 1998 results have been restated to reflect this change as follows:

(millions)	Increase (Decrease)
Revenue	$ (0.3)
Operations expense	8.0
Financing costs	1.7
Income tax	(4.5)
Net income	$ (5.5)
Prepaid expenses and other	$ (23.3)
Deferred charges	(27.4)
Current liabilities	(19.9)
Closing retained earnings	$ (30.8)

(b) Consolidation

The consolidated financial statements include the accounts of the Company and all of the Company's subsidiaries, of which the principal ones are TELUS Communications Inc., TELUS Communications (B.C.) Inc. (formerly BC TEL), TELUS Mobility Cellular Inc., TELUS Mobile Inc., TELUS Services Inc., TELUS Systems Support Inc., Telecom Leasing Canada (TLC) Limited, and ISM Information Systems Management (B.C.) Corporation (75%).

(c) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

(d) Property, Plant and Equipment (Property)

Property is recorded at historical cost and, with respect to self-constructed property, includes materials, direct labour and applicable overhead costs. In addition, where construction projects exceed $20 million and are of a sufficiently long duration, an amount is capitalized for the cost of funds used to finance construction. This amount is included in the Consolidated Statement of Income as an offset against financing costs. The rate for calculating the capitalized financing costs is based on the Company's one-year cost of borrowing. In 1999, $1.6 million of financing costs was capitalized ($5.9 million – 1998).

When property, plant and equipment is sold by the Company, the historical cost less accumulated depreciation is netted against the sale proceeds and the difference is included in the Consolidated Statement of Income.

(e) Depreciation

Assets are depreciated on a straight-line basis over their estimated useful life as determined by a continuing program of engineering studies. The composite depreciation rate for the year ended December 31, 1999 was 7.8% (7.9% – 1998).

(f) Deferred Charges

Deferred charges include deferred pension costs, more fully described in Note 16, deferred costs of issuing debt and deferred start-up costs. The deferred start-up costs are amounts relating to information services contracts that will be matched with related revenues. Discounts on long-term debt are amortized to interest expense on a straight-line basis over the remaining

lives of the related liabilities. Where interest coupons and residuals are held as separate investments in sinking funds, discounts are amortized over the period to maturity or call date so as to produce a constant rate of return on the investments.

(g) Goodwill
Goodwill represents the excess of the cost of acquired businesses over the fair value attributed to the net identifiable assets. Goodwill is being amortized on a straight-line basis over either 12 or 15 years. Management estimates the value of goodwill to be not less than the unamortized balance at December 31, 1999.

(h) Income Taxes
The Company and its subsidiaries follow the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

The balance of future income taxes at December 31, 1999 consists mainly of reserves not available for current deduction, undepreciated capital cost in excess of net book value of capital assets arising from the difference between the Company's depreciation rates and those prescribed for income tax purposes and tax losses available to be carried forward.

(i) Leases
Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Where the Company is the lessor, the majority of capital leases are through its subsidiary, Telecom Leasing Canada (TLC) Limited, which acts as a financing intermediary. The long-term leases receivable represent the present value of future lease payments receivable due beyond one year. Finance income derived from these financing leases is recorded so as to produce a constant rate of return over the terms of the leases.

Where the Company is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Revenue from operating leases of equipment is recognized when service is rendered to customers. The leased equipment is depreciated in accordance with the Company's depreciation policy.

(j) Other Long-term Liabilities
Included in Other Long-term Liabilities are contributions from the Government of Alberta under the Individual Line Service program, which are recognized as income on a straight-line basis over the estimated useful life of the related assets. The amount to be recognized as income within one year is included with Advance Billings and Customer Deposits in the Consolidated Balance Sheet.

(k) Research and Development
Research and development costs are expensed in the period in which they are incurred unless they meet certain identifiable criteria for deferral. Research and development costs expensed during the year amounted to $2.5 million ($61.6 million – 1998).

(l) Translation of Foreign Currencies
Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date with any resulting gain or loss being expensed. Gains or losses arising from translation of non-current monetary liabilities are deferred and amortized over the remaining lives of the related liabilities.

(m) Financial Instruments
The Company's financial instruments consist of cash and temporary investments, accounts receivable, leases receivable, sinking fund assets, bank indebtedness, accounts payable and accrued liabilities, dividends payable, notes payable under commercial paper programs and long-term debt.

The carrying value of cash and temporary investments, bank indebtedness, accounts receivable, leases receivable, accounts payable and accrued liabilities, dividends payable and notes payable under commercial paper programs approximates their fair values due to the immediate or short-term maturity of these financial instruments. The fair values of the Company's sinking fund assets are determined by quoted market prices at the balance sheet date. The fair value of the Company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. As of December 31, 1999 the estimated fair value of long-term debt exceeded the carrying value by approximately $249 million ($463 million – 1998).

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, sinking fund assets, notes payable under commercial paper programs and long-term debt.

The Company uses various financial instruments which are not reflected on the balance sheet to reduce or eliminate exposure to interest rate and currency risks, and as part of structured financing. These instruments are accounted for on the same basis as the underlying exposure being hedged. At December 31, 1999, the total notional amount of derivative financial instruments outstanding was $442.4 million ($416.5 million – 1998). The fair market value of these instruments at December 31, 1999 exceeded their carrying value by approximately $1 million ($4 million – 1998). Use of these instruments is subject to a policy which requires that no derivative transaction be effected for the purpose of establishing a speculative or a levered position and sets criteria for the credit worthiness of the transaction counterparties.

The Company is exposed to credit risk with respect to its short-term deposits and sinking fund assets. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counter-parties. An ongoing review is performed to evaluate changes in the status of counter-parties.

The Company is exposed to credit risk with respect to its accounts and leases receivable, however, this is minimized by the Company's large customer base which covers all consumer and business sectors in British Columbia and Alberta. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

2. OTHER REVENUES

(millions)	**1999**	1998
Service and equipment sales	**$ 405.1**	$ 372.3
Directory advertising and sales	**292.2**	277.5
Information services	**167.7**	111.4
Rental	**92.7**	104.7
Other	**110.5**	87.7
	$ 1,068.2	$ 953.6

3. OTHER INCOME, NET

(millions)	**1999**	1998
Gain on disposal of property and investments	**$ 36.9**	$ 46.3
Interest income	**10.1**	23.4
Sinking fund income	**12.6**	11.4
Non-operating loss from joint venture	**–**	(7.2)
Investment loss	**–**	(4.7)
Charitable donations	**(14.7)**	(6.5)
Other	**(4.7)**	(5.8)
	$ 40.2	$ 56.9

4. FINANCING COSTS

(millions)	1999	1998
Interest on long-term debt	$ 169.2	$ 211.2
Other interest	30.5	18.3
Foreign exchange loss (gain)	(9.4)	8.5
	190.3	238.0
Allowance for funds used during construction	1.6	5.9
	$ 188.7	$ 232.1

5. INCOME TAXES

(millions)	1999	1998
Current	$ 307.0	$ 438.0
Future	(10.1)	81.5
	$ 296.9	$ 519.5

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	1999	1998
Basic federal and provincial statutory income tax rate	45.5%	45.2%
Non-deductible portion of amortization of acquired assets	0.5	0.3
Non-taxable portion of gain on disposal of assets	(0.6)	(0.9)
Other	(1.1)	0.8
	44.3	45.4
Large corporations tax	1.3	0.9
Effective rate per Consolidated Statement of Income	45.6%	46.3%

6. EXTRAORDINARY LOSS

In March 1998, BC TELECOM announced a change in accounting principles in response to the growing competitiveness of the industry and the new regulatory requirements that took effect on January 1, 1998. This change from regulated accounting practices to generally accepted accounting principles resulted in an after-tax, extraordinary charge to earnings of $530.6 million. This charge comprised a write-down of $489.0 million to property, plant and equipment and $41.6 million to eliminate deferred workforce transformation costs and was consistent with similar steps taken previously by most Canadian and U.S. telecommunications companies, including TELUS Corporation in 1997.

7. ACCOUNTS RECEIVABLE

(millions)	1999	1998
Trade receivables	$ 544.7	$ 557.1
Current portion of leases receivable	55.1	46.1
Other	29.3	56.5
	$ 629.1	$ 659.7

Under an agreement dated November 20, 1997, TELUS Communications (B.C.) Inc. sold, with minimal recourse, accounts receivable for aggregate cash proceeds of $150 million. Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables. This agreement, which expires in November 2002, is extendable upon the Company's request.

8. PROPERTY, PLANT AND EQUIPMENT, NET

(millions)	Cost	Accumulated Depreciation	Net Book Value 1999	Net Book Value 1998
Telecommunications assets	$ 10,970.2	$ 6,837.3	**$ 4,132.9**	$ 4,281.2
Assets leased to customers	198.7	147.6	**51.1**	49.7
Buildings	1,164.1	603.6	**560.5**	569.3
Office equipment and furniture	447.8	292.2	**155.6**	145.3
Assets under capital lease	68.2	42.8	**25.4**	8.2
Other	991.4	613.7	**377.7**	411.2
	13,840.4	8,537.2	**5,303.2**	5,464.9
Land	82.8	–	**82.8**	84.7
Plant under construction	443.6	–	**443.6**	223.2
Materials and supplies	43.8	–	**43.8**	54.8
	$ 14,410.6	$ 8,537.2	**$ 5,873.4**	$ 5,827.6

9. DEFERRED CHARGES

(millions)	1999	1998
Pension plan contributions in excess of charges to income	**$ 81.2**	$ 71.1
Cost of issuing debt securities, less amortization	**11.2**	12.8
Investment in New Media & Broadcast Fund	**9.1**	9.9
Deferred merger costs	**–**	8.7
Deferred start-up costs	**7.1**	9.4
Other	**8.5**	9.9
	$ 117.1	$ 121.8

10. SINKING FUND ASSETS

Sinking fund assets relate to the Company's note payable and consist of the following:

(millions)	1999	1998
Debentures, at amortized cost		
Government of Canada, direct and guaranteed	**$ 38.3**	$ 48.8
Alberta Government Telephones Commission	**67.1**	61.8
Short-term deposits	**–**	15.0
	105.4	125.6
Less: current portion	**105.4**	32.8
	$ –	$ 92.8

Assets in the sinking fund have an approximate market value of $107 million ($133 million – 1998). The sinking fund assets have a weighted average effective interest rate of 9.3% (10.7% – 1998).

11. SALE OF PROPERTY AND INVESTMENTS

During 1999, the Company disposed of some selected, non-strategic property and investments, including its investments in MediaLinx and Pacific Place Cable for total proceeds of $40.2 million resulting in a pre-tax gain of $36.9 million.

During 1998, dispositions of investments in Telesat, Sierra Wireless and CrossKeys resulted in total proceeds of $92.0 million and a pre-tax gain of $46.3 million.

12. SHORT-TERM OBLIGATIONS

Amounts due for redemption within one year are as follows:

(millions)	1999	1998
Notes payable under commercial paper programs	$ 246.5	$ 494.2
Current maturities of long-term debt	326.7	287.7
	$ 573.2	$ 781.9

Notes payable under commercial paper programs are unsecured, range in maturity from 17 to 97 days and carry a weighted average interest rate of 5.09%.

At December 31, 1999, $380.0 million of commercial paper notes ($180.0 million – 1998) has been classified as long-term debt on the basis of the availability of a $380.0 million long-term credit facility agreement. In addition, the Company had in place committed operating lines of credit of $311.0 million ($465.0 million – 1998).

13. LONG-TERM DEBT

(a) Details of Long-term Debt

(millions)	Series	Rate	Maturity	1999	1998
TELUS Communications (B.C.) Inc. First Mortgage Bonds					
	AK	6%	February 1999	$ –	$ 30.0
	AN	10.5%	June 2000	115.0	116.3
				115.0	146.3
TELUS Communications (B.C.) Inc. Debentures					
	1	12.0%	May 2010	50.0	50.0
	2	11.90%	November 2015	125.0	125.0
	3	10.65%	June 2021	175.0	175.0
	4	9.15%	April 2002	1.0	21.3
	5	9.65%	April 2022	249.0	228.7
				600.0	600.0
TELUS Communications Inc. Debentures					
	A	9.50%	August 2004	200.0	200.0
	B	8.80%	September 2025	200.0	200.0
				400.0	400.0
TELUS Communications Inc. Notes Payable					
		12.00%	November 1999	–	50.0
		11.80%	May 2003	150.0	150.0
				150.0	200.0
TELUS Communications Inc. notes issued at varying rates of interest up to 12.00%				–	78.1
TELUS Communications (B.C.) Inc. Medium-term Note Debentures issued at varying rates of interest up to 8.00% and maturing on various dates up to 2001				195.0	265.0
Commercial paper reclassified under a long-term credit facility agreement (Note 12)				380.0	180.0
Other long-term debt				14.8	17.0
Capital leases (Note 15e) issued at varying rates of interest up to 11.75% and maturing on various dates up to 2004				27.4	10.0
Total debt				1,882.2	1,896.4
Less – current maturities				326.7	287.7
Long-term Debt				$ 1,555.5	$ 1,608.7

(b) TELUS Communications (B.C.) Inc. First Mortgage Bonds

TELUS Communications (B.C.) Inc.'s property is subject to liens under the Deed of Trust and Mortgage dated March 1, 1946, under which the first mortgage bonds are issued. The Deed of Trust and Mortgage requires either an annual sinking fund payment of 1% of the original principal amount of bonds outstanding or the pledge of additional unmortgaged property in the amount of 1.5% of the principal. In 1999, a sinking fund payment was made in respect of the Series AN First Mortgage Bonds.

(c) TELUS Communications (B.C.) Inc. Debentures

Debentures are issued under the Trust Indenture dated May 31, 1990 and are not secured by any mortgage, pledge or other charge. While the Trust Indenture is in effect, further issues of first mortgage bonds are not permitted. New issues of unsecured debt are subject to restrictions as to debt ratio and interest coverage as defined in the Trust Indenture.

The outstanding debentures may not be redeemed prior to maturity.

The Series 4 Debentures were exchangeable, at the holder's option, effective on April 8 of any year during the four-year period from 1996 to 1999, for an equal principal amount of Series 5 Debentures. In 1999, $20.3 million ($24.3 million – 1998) of the Series 4 Debentures were exchanged for Series 5 Debentures.

(d) TELUS Communications Inc. Debentures

The outstanding Series A Debentures and Series B Debentures are issued under the TELUS Communications Inc. Trust Indenture dated August 24, 1994 and a supplemental trust indenture dated September 22, 1995 relating to Series B Debentures only. These debentures are not secured by any mortgage, pledge or other charge. During 1995 the Company terminated an interest rate swap contract relating to the Series A Debentures and realized a gain on early termination in the amount of $16.8 million which is being amortized and credited to interest expense over the remaining term of the Series A Debentures. The amortization of the gain resulted in an effective rate of interest on Series A Debentures in 1999 of 8.79% (8.79% – 1998).

(e) TELUS Communications Inc. Notes Payable

The outstanding note is secured by sinking fund assets of the Company. In accordance with note terms, this note requires annual sinking fund contributions of 1% of the principal amount outstanding until one year prior to maturity. The note has an early redemption provision at the Company's option on May 31, 2000 or on any May 31 or November 30 thereafter prior to maturity. The Company intends to redeem the note in the year 2000.

(f) Medium-term Note Program

Under the terms of the medium-term note prospectus, a total of $2,400.0 million in medium-term notes may be issued prior to September 9, 2001. The notes will have maturities, interest rates and other features determined at the time of issue.

(g) Long-term Debt Maturities

Anticipated requirements to meet long-term debt repayments and sinking fund provisions, excluding capital lease maturities, during each of the next five years from December 31, 1999 are as follows:

(millions)	
2000	$ 314.9
2001	339.8
2002	1.0
2003	–
2004	400.0

Of the long-term debt repayment in 2000, $105.4 million is expected to be met by sinking fund assets.

14. SHAREHOLDERS' EQUITY

(a) Details of Shareholders' Equity

(millions)					1999	1998
Common equity						
Voting shares					**$ 2,080.0**	$ 2,077.6
Non-voting shares					**693.1**	692.5
Retained earnings					**1,457.5**	1,495.9
Contributed surplus					**7.4**	7.3
					4,238.0	4,273.3
TELUS Communications (B.C.) Inc. Preference and Preferred, Cumulative						
No. of Shares			Par Value	Redemption Premium		
8,090	$ 6.00	Preference	$ 100	10.0%	**0.8**	0.8
53,000	$ 4.375	Preferred	$ 100	4.0%	**5.3**	5.3
47,500	$ 4.50	Preferred	$ 100	4.0%	**4.8**	4.8
71,250	$ 4.75	Preferred	$ 100	5.0%	**7.1**	7.1
71,250	$ 4.75	Preferred ('56)	$ 100	4.0%	**7.1**	7.1
114,700	$ 5.15	Preferred	$ 100	5.0%	**11.5**	11.5
96,400	$ 5.75	Preferred	$ 100	4.0%	**9.6**	9.6
42,750	$ 6.00	Preferred	$ 100	5.0%	**4.3**	4.3
768,400	$ 1.21	Preferred	$ 25	4.0%	**19.2**	19.2
					69.7	69.7
Total Equity					**$ 4,307.7**	$ 4,343.0

(b) Authorized Capital

BCT.TELUS Communications Inc. is authorized to issue an unlimited number of common voting shares, common non-voting shares, first preferred shares and second preferred shares.

(c) Changes in Common Shares

	1999		1998	
	Number of Shares	**Amount (millions)**	Number of Shares	Amount (millions)
Common Voting Shares				
Beginning of Year	**177,433,909**	**$ 2,077.6**	177,910,895	$ 2,082.1
Exercise of stock options	**111,963**	**2.6**	265,433	5.9
Normal course issuer bid	**–**	**–**	(742,419)	(10.4)
Other	**(23,982)**	**(0.2)**	–	–
End of Year	**177,521,890**	**$ 2,080.0**	177,433,909	$ 2,077.6
Common Non-Voting Shares				
Beginning of Year	**59,144,636**	**$ 692.5**	59,303,632	$ 694.0
Exercise of stock options	**37,309**	**0.9**	88,477	2.0
Normal course issuer bid	**–**	**–**	(247,473)	(3.5)
Other	**(25,498)**	**(0.3)**	–	–
End of Year	**59,156,447**	**$ 693.1**	59,144,636	$ 692.5

(d) Stock Option Plans

BCT.TELUS Stock Option Plan:

BCT.TELUS has a stock option plan under which directors, officers and key employees receive options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1999	781,430	655,358	$ 35.72

BC TELECOM Stock Option Plan:

Under the terms of the BCTSOP introduced in 1995, BC TELECOM granted officers and key employees options in tandem share appreciation rights and retention options at fixed exercise prices. Effective December 8, 1998 the plan was modified to replace share appreciation rights with a stock option repurchase plan. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. Options granted prior to 1999 can be exercised in a ratio of 75% voting and 25% non-voting for common shares in BCT.TELUS.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1999	3,700	3,700	$ 36.78
1998	339,600	322,934	46.72
1997	435,800	375,496	31.05
1996	427,200	250,401	25.26
1995	213,300	98,900	24.20

BC TELECOM Long-Term Incentive Share Option Plan:

BC TELECOM had stock option plans under which officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. These options can be exercised in a ratio of 75% voting and 25% non-voting for common shares in BCT.TELUS.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1995	395,300	120,486	$ 24.25
1994	293,756	86,781	25.08
1993	444,300	74,700	19.25
1992	263,725	32,850	22.13
1991	270,600	33,000	20.00

TELUS Stock Option Plans:

TELUS had stock option plans under which directors, officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting. Options granted under the plans may be exercised over specific periods not to exceed seven years from the date of granting. These options can be exercised in a ratio of 75% voting and 25% non-voting for common shares in BCT.TELUS.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1998	540,930	398,937	$ 42.39
1997	670,330	366,276	25.97
1996	717,300	296,001	21.33
1995	379,600	75,157	21.14
1994	387,000	188,803	20.78
1993	406,527	21,505	16.57

At December 31, 1999, 7,769,846 shares remained reserved for issuance under all option plans.

(e) Employee Share Purchase Plan
The Company has an employee share purchase plan under which eligible employees can purchase common shares through regular payroll deductions by contributing between 1% and 6% of pay. The Company contributes two dollars for every five dollars contributed by an employee. The Company records its contributions as a component of operating expenses. During 1999, the Company contributed $19.2 million ($10.9 million – 1998) to this plan. All common shares issued to employees under the plan during the year were purchased on the market at normal trading prices. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

(f) Dividend Reinvestment and Share Purchase Plan
The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire additional common shares through the reinvestment of dividends and optional cash payments. Shares purchased through optional cash payments are subject to a minimum investment of $100 and a maximum investment of $20,000 per calendar year. Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company estimates expenditures for capital asset purchases to be $1,346 million in 2000. Substantial purchase commitments have been made in connection with these as at December 31, 1999.

(b) The Company has entered into an agreement for the provision of data processing services. The 2000 cost under this agreement is expected to be approximately $55 million.

(c) The Company has entered into a 10-year agreement with GTE Corporation (GTE) with respect to the use of GTE's brand and technology. The 2000 cost under this agreement is US$45 million.

(d) The Company has entered into an agreement with Bell Canada in the amount of $29 million in the year 2000 for services previously performed within the Stentor alliance.

(e) The Company occupies leased premises in various centres and has land, buildings and equipment under operating leases.

At December 31, 1999, the future minimum lease payments under capital leases and operating leases were:

(millions)	Capital Leases	Operating Leases
2000	$ 12.6	$ 64.2
2001	8.5	57.6
2002	5.9	51.1
2003	1.5	38.6
2004	0.7	33.7
Total future minimum lease payments	29.2	
Less imputed interest	1.8	
Capital lease liability	$ 27.4	

(f) A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

16. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Pension plans are maintained for substantially all employees. These comprise:

(a) Company-sponsored defined benefit plans for management, exempt and certain bargaining unit employees. The defined benefit plans provide pensions based on length of service and average earnings. The Company also maintains non-registered management and executive supplementary income plans.

Accrued pension costs for accounting purposes are determined in accordance with generally accepted accounting principles, using management's best estimate assumptions of future events. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses and the initial net plan assets and obligations are amortized over the expected average remaining service life of employees.

The cumulative difference between the amount contributed to the pension plan and the amount charged to income is recorded in the Consolidated Balance Sheet under Deferred Charges. The accrued obligation for management and executive supplementary income plans is recorded in the Consolidated Balance Sheet under Other Long-term Liabilities.

Based on the actuarial reports of the Company-sponsored pension plans and management and executive supplementary income plans, which used projected employee earnings in estimating the accrued pension and supplementary income obligations and market-related value for asset valuation, a comparison of the plan assets and obligations projected to December 31, 1999 has been estimated as follows:

(millions)	**1999**	1998
Actuarial value of assets	**$ 3,650.0**	$ 3,314.9
Actuarial value of obligations	**3,081.4**	2,790.2
Surplus	**$ 568.6**	$ 524.7

(b) Defined Contribution Plan for management and exempt employees. The Company contributes a fixed or defined amount to the plan each year.

(c) Telecommunications Workers Union-sponsored pension plan for certain bargaining unit employees. This plan requires the Company to contribute a fixed percentage of employee gross earnings to the trust fund.

The total pension expense amounted to $93.2 million in 1999 ($96.8 million – 1998).

The Company provides supplementary life insurance to eligible retirees and certain health care benefits to inactive employees. The expected costs of these employees' benefits are expensed during the years the employees render service and an accumulated obligation is recognized.

The Company provides certain disability and group life insurance benefits for all eligible employees. The cost of these benefits is determined by an independent actuary and the annual funding requirements are paid into specific trusts. The cost of these employee benefits is included in Operations Expense.

17. RELATED PARTY TRANSACTIONS

Transactions with related parties included purchases and sales of telecommunications technology, equipment and supplies, directory advertising commissions and payments for services rendered under cost-sharing agreements. During the year the Company purchased goods and services from related parties amounting to $139.9 million ($75.9 million – 1998). Sales to related parties amounted to $7.2 million ($7.7 million – 1998). These transactions were conducted in the normal course of business at prices established and agreed to by both parties.

18. SEGMENTED INFORMATION

The Company's reportable segments, which are used to manage the business, are:

- **TELUS Communications (Wireline)** – local access, long distance, and other voice services;
- **Advanced Communications (Adv. Com.)** – digital services, services on dedicated or specialized facilities, Internet, Ubiquity network (fibre) and ISM-BC;
- **Mobility (Wireless)** – cellular and paging services;
- **Other** – national operations, directory and advertising services.

Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used.

The accounting policies used for segmented reporting are the same as described in the Summary of Significant Accounting Policies, Note 1.

BCT.TELUS Communications Inc. Segmented Disclosure

	Wireline		Wireless		Adv. Com.		Other		Eliminations		Totals	
(millions)	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998
External revenue	**$ 3,783.0**	$3,827.0	**$ 960.2**	$ 989.0	**$ 800.9**	$ 697.3	**$ 328.2**	$ 320.6	**$ –**	$ –	**$ 5,872.3**	$ 5,833.9
Inter-segment revenue	**259.0**	267.1	**14.2**	12.9	**170.5**	240.5	**14.2**	18.7	**(457.9)**	(539.2)	**–**	–
Total operating revenue	**4,042.0**	4,094.1	**974.4**	1,001.9	**971.4**	937.8	**342.4**	339.3	**(457.9)**	(539.2)	**5,872.3**	5,833.9
Operations expenses	**2,388.4**	2,407.6	**595.0**	626.6	**799.3**	785.9	**218.9**	224.4	**(456.7)**	(529.3)	**3,544.9**	3,515.2
EBITDA	**$ 1,653.6**	$1,686.5	**$ 379.4**	$ 375.3	**$ 172.1**	$ 151.9	**$ 123.5**	$ 114.9	**$ (1.2)**	$ (9.9)	**$ 2,327.4**	$ 2,318.7
Capital additions	**$ 617.5**	$ 677.0	**$ 165.2**	$ 192.6	**$ 147.3**	$ 104.4	**$ 269.2**	$ 119.2	**$ –**	$ –	**$ 1,199.2**	$ 1,093.2

19. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

20. PRIOR YEAR PRESENTATION

The 1998 amounts have been reclassified, where applicable, to conform with the 1999 presentation.

STATISTICS

	Consolidated		Combined			
	1999	1998	1997	1996	1995	1994
INCOME STATEMENT (MILLIONS)						
Local revenue	**$ 3,195.0**	$ 3,160.2	$ 2,746.3	$ 2,278.0	$ 1,852.2	$ 1,450.6
Long distance revenue	**1,609.1**	1,720.1	1,805.9	1,534.4	1,557.7	1,641.6
Other revenue	**1,068.2**	953.6	923.0	728.1	675.2	579.5
Total operating revenues	**5,872.3**	5,833.9	5,475.2	4,540.5	4,085.1	3,671.7
Operations expense	**3,544.9**	3,515.2	3,245.5	2,566.3	2,332.0	2,064.4
EBITDA	**2,327.4**	2,318.7	2,229.7	1,974.2	1,753.1	1,607.3
Depreciation and amortization	**1,062.1**	1,021.9	1,109.9	935.7	854.9	733.0
Operating income	**1,265.3**	1,296.8	1,119.8	1,038.5	898.2	874.3
Interest and other	**614.8**	175.2	235.8	274.3	254.8	219.2
Income taxes	**296.9**	519.5	442.2	245.3	217.7	209.8
Income before non-controlling interest	**353.6**	602.1	441.8	518.9	425.7	445.3
Non-controlling interest	**3.9**	4.6	4.0	3.4	3.2	2.4
Extraordinary loss	**–**	530.6	285.2	–	–	–
Gain (loss) from discontinued operations	**–**	–	130.9	(35.0)	12.1	(6.7)
Net income	**349.7**	66.9	283.5	480.5	434.6	436.2
Preference and preferred share dividends	**3.5**	3.5	3.5	3.5	3.5	3.5
Common share income	**$ 346.2**	$ 63.4	$ 280.0	$ 477.0	$ 431.1	$ 432.7
BALANCE SHEET (MILLIONS)						
Property, plant and equipment, at cost	**$ 14,410.6**	$ 13,778.1	$ 13,316.0	$ 12,945.8	$ 12,269.9	$ 10,887.7
Accumulated depreciation	**8,537.2**	7,950.5	6,702.0	5,642.5	5,077.1	4,281.7
Total assets	**7,811.1**	7,860.5	8,761.9	9,167.7	9,160.0	7,939.5
Total capitalization	**6,448.8**	6,743.2	7,476.5	7,587.3	7,569.5	6,520.1
Long-term debt	**1,555.5**	1,608.7	2,280.6	2,953.1	3,175.4	2,441.4
Common equity	**4,238.0**	4,273.3	4,581.0	4,181.8	3,884.6	3,628.7
FINANCIAL						
Average shares outstanding (millions)	**236.6**	237.0	236.6	234.2	229.2	225.3
Earnings per common share, operations	**$ 2.58**	$ 2.51	$ 1.84	$ 2.19	$ 1.83	$ 1.95
Earnings per common share, total	**$ 1.46**	$ 0.27	$ 1.18	$ 2.04	$ 1.88	$ 1.92
Dividends declared per common share	**$ 1.40**	$ 1.29	$ 1.27	$ 1.25	$ 1.23	$ 1.21
Cash flow per common share	**$ 7.34**	$ 6.89	$ 6.88	$ 6.35	$ 5.70	$ 5.05
Book value per common share	**$ 17.91**	$ 18.03	$ 19.36	$ 17.86	$ 16.95	$ 16.11
Return on common equity, operations	**14.2%**	14.0%	9.9%	11.8%	11.5%	12.3%
Interest coverage (times)	**6.8**	5.7	4.3	3.4	3.0	3.5
Cash flow from operations before changes in working capital (millions)	**$ 1,735.5**	$ 1,634.1	$ 1,626.4	$ 1,486.8	$ 1,307.1	$ 1,138.8
Debt to total capitalization, net of sinking fund assets	**31.9%**	34.2%	36.7%	43.1%	47.1%	42.2%
Capital expenditures (millions)	**$ 1,199.2**	$ 1,093.2	$ 1,130.7	$ 1,076.0	$ 1,060.7	$ 1,048.1

STATISTICS CONTINUED

	Consolidated		Combined			
	1999	1998	1997	1996	1995	1994
OTHER						
Total regular employees	**21,601**	22,499	21,802	22,352	23,511	21,384
Total salary expense (millions)	**$ 1,350.7**	$ 1,405.5	$ 1,253.9	n/a	n/a	n/a
TELUS COMMUNICATIONS (WIRELINE)						
Customer access lines in service (thousands)	**4,551**	4,495	4,367	4,198	4,042	3,498
Long distance switched conversation minutes (millions)	**7,011**	5,333	4,577	n/a	n/a	n/a
Long distance market share	**71%**	70%	n/a	n/a	n/a	n/a
Local market share	**98%**	99%	n/a	n/a	n/a	n/a
TELUS MOBILITY (WIRELESS)						
Cellular customers (thousands)	**1,099**	963	823	635	462	263
Penetration rate	**16.9%**	15.1%	13.1%	10.6%	8.0%	5.6%
Cellular market share	**58%**	62%	64%	64%	63%	59%
Average monthly revenue per customer	**$ 60**	$ 70	$ 76	$ 81	$ 84	$ 90
Average minutes per subscriber per month	**218**	219	200	199	178	168
Monthly deactivations (churn rate)	**1.4%**	1.3%	1.2%	1.6%	1.6%	1.4%
TELUS ADVANCED COMMUNICATIONS						
Dial-up Internet subscribers (thousands)	**287.7**	212.1	122.9	60.6	5.3	n/a
High-speed Internet subscribers (thousands)	**25.7**	4.3	n/a	n/a	n/a	n/a

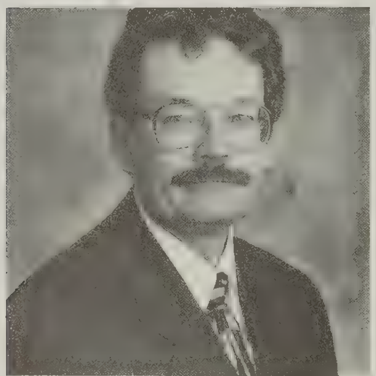
Note: For comparative purposes, historical BC TELECOM and TELUS Corporation information for 1994 to 1997 has been added together. Where appropriate, previously reported information has been restated to achieve consistency but minor differences in definition may exist. Transactions between BC TELECOM and TELUS Corporation have been eliminated for 1997 but not for 1994 through 1996.

EXECUTIVE TEAM

BRIAN CANFIELD • President and Chief Executive Officer

Brian joined BC TEL in 1956 and, in the early part of his career, held key positions in Network Services, Engineering, Operator Services and Sales and Operations. He was appointed Vice-President, Technical Support, in 1985 and Executive Vice-President of Telephone Operations in 1988. In 1989, Brian was named BC TEL President, to which the title Chief Executive Officer was added one year later. In 1993, he was appointed Chairman and CEO.

Although Brian retired as Chief Executive Officer in 1997, he continued to serve as Chairman of BC TELECOM and was named Chairman of the Company when BC TELECOM and TELUS merged in February 1999. The Board of Directors asked him to assume his current position in September 1999.



BARRY BAPTIE • Executive Vice-President and Chief Financial Officer

Barry's career in telecommunications began in 1980 when he joined ED TEL (Edmonton Telephones) where he held increasingly senior positions in Regulatory, Strategy and Administrative Services, culminating in his appointment as Vice President of Finance and Chief Financial Officer. He helped establish ED TEL as the first subsidiary corporation of a municipality in 1990 and led the sale of ED TEL to TELUS in 1995.

At TELUS, Barry has held senior positions in both Finance and Regulatory Affairs and served as Project Manager for the launch of the TELUS brand in 1997. He holds both a BA and MBA from the University of Alberta, as well as a CMA from the Society of Management Accountants of Alberta.

CYNTHIA LEWIS • Executive Vice-President and President, TELUS Integrated Communications

Cynthia has more than 20 years of experience in the highly competitive business services industry, both in Canada and the United States. Prior to joining TELUS in fall 1999, she was Vice-President, Worldwide Business Integration with Xerox Corporation in New York. Throughout her 16-year career with Xerox, Cynthia held numerous sales, marketing and operations roles and gained extensive experience in start-up operations.

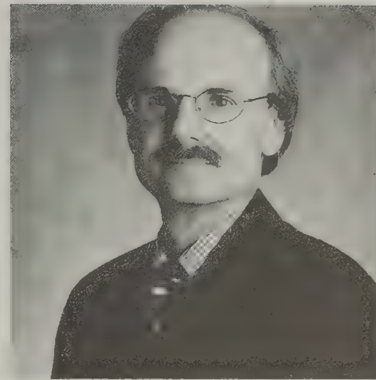
She holds a BSc in Architecture from Mississippi State University and an MBA from the University of Rochester. Cynthia has been an active member of the Law for the Future Society, co-chair of the Canadian Quality Institute and a volunteer with the Out of the Cold Association.

IAN MANSFIELD • Executive Vice-President and President, TELUS Communications

Ian joined BC TEL in 1969 and held various senior management positions in Engineering, Network Management, Operations and Customer Service before being appointed Assistant Vice-President, Strategic Customer Relations in 1991. In 1997, he was named Senior Vice-President of Operations, and in 1998, was appointed Senior Vice-President of Strategic Business Development, a role in which he served as chief negotiator for the BC TELECOM and TELUS merger.

Ian has completed management studies at the British Columbia Institute of Technology, the Banff School of Advanced Management, the University of Southern California Advanced Management Program and the Harvard Business School Advanced Management Program.

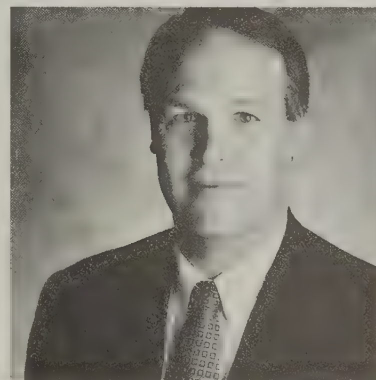
ROY OSING • Executive Vice-President and President, TELUS Advanced Communications



Roy began his career with BC TELECOM in 1969 and has held a number of senior-level management positions in Network Marketing, Business Communications, and Long Distance Services. In 1999, following the merger of BC TELECOM and TELUS, he was appointed Senior Vice-President of Strategic Alliance Management. He was named to his current post in August 1999.

Roy holds a BSc in Mathematics and Computer Science from the University of British Columbia. He is Chairman of the Board of ISM-BC and SRI Strategic Resources Inc. and was the founding President and Chairman of the Quality Council of British Columbia.

JIM PETERS • Executive Vice-President, Corporate Development and Corporate Affairs, and General Counsel



Jim joined the BC TELECOM legal department in 1988 and became Director of Mergers and Acquisitions in 1990. In 1995, he was appointed Vice-President, Corporate Planning and Mergers and Acquisitions. After the merger of BC TELECOM and TELUS, Jim was named Executive Vice-President, Corporate Development and Emerging Business. In September 1999, he also became responsible for the Chief General Counsel portfolio.

Jim holds a BSc in Human Kinetics from the University of Guelph, a Bachelor of Law degree from the University of British Columbia and an MBA from Simon Fraser University. He was called to the British Columbia Bar in 1979 and is a member of the Law Society of British Columbia and the Canadian Bar Association.

JUDY SHUTTLEWORTH • Senior Vice-President, Human Resources

Judy joined BC TELECOM in 1965 and has held various senior operational management and human resources positions during her career. From 1993 to 1999, she was Director of Employee Relations responsible for labour relations, compensation and benefits, recruitment and leadership development. Most recently, she was Vice-President of Labour Relations, a position she held since the BC TELECOM and TELUS merger, and was named to her current position on an acting basis in August 1999.

Judy has participated in executive management programs at Queen's University in Kingston, Ontario. She is a member of the Human Resources Committee of the Conference Board of Canada, the Telco Industrial Relations Committee, the Human Resources Management Association and the British Columbia Labour Force Development Board.

ARNIE STEPHENS • Executive Vice-President and President, TELUS Mobility

Arnie joined TELUS Mobility in 1989 and held various roles in Finance and Systems before being named Vice President in 1991. In 1995, he was appointed Vice President, Marketing and Service Development. He was named Vice President, Strategy for TELUS Mobility after the BC TELECOM and TELUS merger and was named to his current acting position in September 1999.

Arnie holds a BSc from the University of New Brunswick and an MBA from the University of Western Ontario. He is also a Certified Management Accountant and has completed the Executive Management Program in Telecommunications at the University of Southern California.

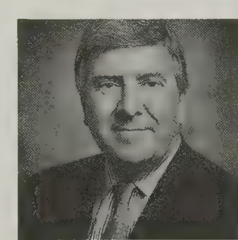
BOARD OF DIRECTORS

[illegible] is counsel to Bryan & Company and serves as special legal adviser to several major Alberta corporations. He specializes in corporate matters, including acquisitions, finance, land law and contract law. John served on the Board of ED TEL (Edmonton Telephones), prior to its acquisition by TELUS Corporation. He is a member of the Board of Directors of Trans Global Insurance Company, Trans Global Life Insurance Company and the Edmonton Eskimos Football Club. John is Chairman of the Pension Committee.

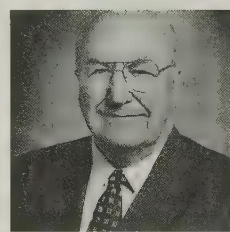
DAVID L. EMERSON is the President and Chief Executive Officer of Canfor Corporation, a B.C.-based integrated forest products company. From 1992 to 1997, he was President and Chief Executive Officer of the Vancouver International Airport Authority. Prior to that, he served as Deputy Minister to the Premier, Secretary to the Executive Council for the Government of British Columbia, and Deputy Minister of Finance for British Columbia and Chairman and Chief Executive Officer of the Canadian Western Bank. His current directorships also include Forest Industrial Relations Ltd., Council of Forest Industries and the Canadian Pulp and Paper Association. He has been honoured as Vancouver Businessman of the Year and B.C. Regional Transportation Person of the Year.

[illegible] is the President and Chief Executive Officer of BCT.TELUS Communications Inc. His career with BC TEL spans nearly 44 years, including four years as Chairman and Chief Executive Officer of BC TELECOM and three years as President. He is a member of the Board of Directors of BC Gas Inc., BC Gas Utility Ltd., Trans Mountain Pipe Line Ltd., Suncor Energy Inc., and MD Funds Management Inc. He is also on the Board of Governors of the Toronto Stock Exchange. In 1997, Brian was appointed to the Order of British Columbia and named an Honorary Doctor of Technology by the British Columbia Institute of Technology.

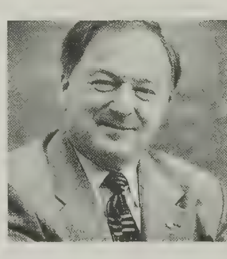
IAIN J. HARRIS is the Chairman and Chief Executive Officer of Summit Holdings Ltd., a private holding and investment company. From 1982 to 1995, he was President and Chief Executive Officer of AirBC Limited. Prior to that, he was Vice-President of Finance and Administration of the Jim Pattison Group, one of the largest private companies in Canada. He is a recipient of the Governor General's Commemorative Medal for his community and public service. Iain is Chairman of the Corporate Governance Committee.



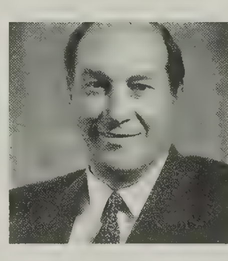
[illegible] is the President and Chief Executive Officer of Methanex Corporation, a marketer and producer of methanol. Prior to that, he held numerous senior management positions with NOVA, including serving as President of Novacorp International and Executive Vice-President of Novacor Chemicals. Pierre is a member of the Business Council of British Columbia and the Business Council on National Issues. He is also a member of the Board of Directors of Gennum Corporation and Echo Bay Mines Ltd.



NORMAN H. KIMBALL is a partner in and President of L&N Investments Inc., an investment holding company. Active in sports management, he is the President of Kan Alta Golf Management Ltd. and a director of Grand Prix F1 du Canada Inc., which organizes and operates the Canadian Grand Prix. A 28-year career in football included 19 years as general manager and executive manager of the Edmonton Eskimos Football Club and serving as the President and part owner of the Montreal Alouettes. In 1991, Norman was inducted into the Canadian Football League Hall of Fame as a Builder.



[illegible] is the Chairman and Chief Executive Officer of Seacoast Communications Group Inc. His 49-year career in the broadcast industry includes serving as Vice-President of Western Broadcasting (Western International Communications), Chairman and CEO of C-FAX, Victoria and CKOV-AM and CKLZ-FM in Kelowna. Mel has been named an Honorary Citizen, Business Person of the Year, Enterpriser of Excellence of Victoria, B.C. and British Columbia's Entrepreneur of the Year. He is a member of the Order of Canada and the Order of British Columbia.

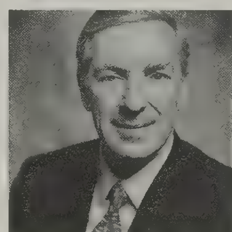


JOHN S. LACEY is the Chairman of Loewen Group Inc. From August 1998 to December 1998, he was President and Chief Executive Officer of Oshawa Group Ltd. and from 1996 to 1998, he was President and Chief Executive Officer of Western International Communications. Prior to that, he served as President and Chief Executive Officer of Scott's Hospitality Inc. from 1990 to 1996. In addition to TELUS, his current directorships include Clarica Inc., the Ontario Liquor Control Board and Doncaster Racing Inc.

RICHARD J. LELACHEUR is the Chairman of the Worker's Compensation Board – Alberta. He is also President and Chief Executive Officer of the organizing committee for the Edmonton 2001 World Championships in Athletics. From 1992 to 1997, he was President and Chief Executive Officer of Economic Development Edmonton. Previously, he spent 25 years in the moving and storage business. From 1981 to 1992, Richard was President and Chief Executive Officer of Western Moving. During that period he was also a director and officer of Allied Van Lines.

FARES F. SALLOUM is the Senior Vice-President – International Operations for GTE Corporation. Since June 1997, he has been responsible for GTE operations worldwide. This includes BCT.TELUS and QuebecTel in Canada, CANTV in Venezuela, CODETEL in the Dominican Republic, PRTC in Puerto Rico, CTI in Argentina, Taiwan Cellular Communications in Taiwan and Tianwei Communications in China. He is also responsible for business development in these countries. Previously, he enjoyed 24 years with BC TELECOM in various positions. Fares is also a director of Taiwan Cellular Communications, CANTV, CTI, GTE China and PRTC.

MICHAEL T. MASIN is the Vice-Chairman, GTE Corporation, a consolidated group of telecommunications companies. He is responsible for all international operations and business development, GTE Internetworking, GTE Information Services and GTE Airfone and the corporate human resources, legal and public affairs and communications functions. Prior to joining GTE in October 1993, he was managing partner of the law firm O'Melveny & Meyers' New York office and co-head of its international practice with responsibility for its European and Asian offices. Michael is Chairman of the Human Resources and Compensation Committee.

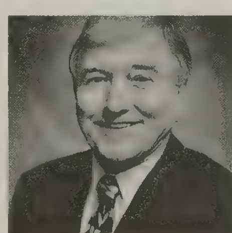


DR. GERRY SINCLAIR is the President and CEO of Ncompass Labs Inc., an Internet start-up company, developing web content management systems for the enterprise market. She is also the founding director of ExCITE at Simon Fraser University, the first multimedia research and development centre in Canada. She has served on several blue ribbon advisory boards, including Canada's National Advisory Council on the Information Highway (IHAC), and the Canadian Network for the Advancement of Research, Industry, and Education (CANARIE). She is a current Director of the Canadian Foundation for Innovation. She is the recipient of the YWCA Woman of Distinction Award, the Canadian Women in Communications Woman of the Year Award and the Canadian Women in New Media Pioneer Award. She holds a PhD from the University of British Columbia.

HAROLD P. MILAVSKY is the Chairman of Quantico Capital Corporation, a privately held investment company engaged in merchant banking, principal investments and acquisitions. He is also a director of Aspen Properties Ltd., Citadel Diversified Management Ltd., Encal Energy Ltd., Enmax Corporation, Northrock Resources Ltd., PrimeWest Energy Inc., Torode Realty Limited, and TransCanada PipeLines Limited. Mr. Milavsky has received Honorary Doctor of Laws degrees from the University of Saskatchewan and the University of Calgary. Harold is Chairman of the Audit Committee.

RONALD P. TRIFFO is the Chairman of Stantec Inc., an engineering and international professional services company where he served in various executive management positions for more than 20 years. He is a past President of the Consulting Engineers of Alberta and the Association of Consulting Engineers of Canada. He served as director and Board Chairman of ED TEL (Edmonton Telephones) prior to its acquisition by TELUS Corporation. He is also a director of Alberta Treasury Branches, a member of the Alberta Economic Development Authority, serves on the Advisory Councils of the Faculties of Business and Medicine at the University of Alberta, and on the Board of Governors of the Northern Alberta Institute of Technology. Ron is Chairman of the Strategic Policy Committee and Chairman of the Board.

WALTER B. O'DONOGHUE is a partner in the Bennett Jones law firm engaged in corporate law. He has been involved in several major privatizations and corporate restructurings. He is a director of a number of public companies including Gulf Canada Resources Ltd., Gulf Indonesia Resources Limited, TransCanada Gas Processing Services Ltd., and is Chairman of Athabasca Oil Sands Investments Inc. Walter is also a member of the Alberta Securities Commission.



DONALD WOODLEY is the President of The Fifth Line Enterprise, a privately held consulting business providing strategic advisory services to the IT industry. From 1997 to 1999 he was President of Oracle Corporation Canada Inc. From 1987 to 1997, he was President of Compaq Canada Inc. He is past Chairman and current Governor of the Information Technology Association of Canada and is currently on the board of directors of Star Data Systems Inc., Delano Technology Corporation and ThinWEB.com Corporation. He is also a member and Vice Chairman of the Board of Governors of The Stratford Festival of Canada.

GLOSSARY

ADSL (asynchronous digital subscriber loop) – a technology that allows existing copper telephone lines to carry voice, data and video images at very high speeds.

Alberta.com – a news and information web site for Albertans. The site includes a wide variety of information such as local, national and international news, arts and entertainment information, local weather, Yellow Pages listings and mapping and directions to hundreds of points of interest in Alberta. Customers can also customize the site so the information that matters most appears where they want it on a personalized home page.

ATM (asynchronous transfer mode) – a high-speed switching technology that routes voice, data and video at high speeds over the same network.

Bundles – a group of telecommunications services, i.e. Internet, long distance and calling features, that are sold together at a lower price than if customers purchased them separately.

CRTC (Canadian Radio-television and Telecommunications Commission) – the federal regulator for radio and television broadcasters, and cable TV and telecommunications companies in Canada.

DSL (digital subscriber loop) – a high-speed technology that provides Internet access at speeds of up to 50 to 150 times faster than a conventional dial-up modem.

e-commerce – refers to business conducted electronically, usually via the Internet.

Fibre network – transmits information by light pulses along hair-thin glass fibres. Cables of optical fibres can be made smaller and lighter than conventional cables using copper wires or coaxial cable, yet they can carry much more information, making them useful for transmitting large amounts of data between computers or many simultaneous telephone conversations.

Frame relay – a high-speed packet switching technology that has evolved to meet the LAN-to-LAN interconnection market. Frame relay is designed to provide high-speed packet transmission, very low network delay and efficient use of network bandwidth.

Interactive commerce – a number of services designed to help businesses set up on the Internet and to offer a personalized marketing and sales channel.

Interactive enterprise – a service for business customers that helps them conduct sophisticated business over the Internet with applications like customer self-services, bill presentation, cataloguing, corporate Intranets and Extranets.

Internet – the global web of networks that connects computers around the world, providing rapid access to information from multiple sources. The Internet was established by the U.S. Department of Defense during the Cold War.

Internet protocol (IP) – standards adopted by the Internet community to help with specific tasks such as transferring files between computers and sending mail.

Intranet – a private, in-company version of the Internet typically used for sharing company-specific data and information with employees.

ISP (Internet Service Provider) – a company that sells Internet access service to residences and/or businesses.

LAN (local area network) – a way of connecting several computers, typically either in the same room or building, so that they can share files and devices like printers and copiers.

MyBC.com – a news and information web site for British Columbians. The site includes a wide variety of information such as local, national and international news, arts and entertainment information, local weather, Yellow Pages listings and mapping and directions to hundreds of points of interest in Greater Vancouver. Customers can also customize the site so the information that matters most appears where they want it on a personalized home page.

Tango™ – the largest group calling radio network of its type in the world. Tango offers customers individual calling and messaging over the same network across Alberta.

Tri-mode phone – wireless phone that is both dual-mode and dual-band. It operates on digital networks at both 800 MHz and 1900 MHz, and on analog networks at 800 MHz when digital service is unavailable.

Web portal – an Internet gateway providing customers with access to on-line news and information, 24 hours a day, seven days a week (see MyBC.com as an example).

Wireless Internet access – technology that provides access to the Internet through the wireless cellular network instead of the traditional wireline telephone network.

INVESTOR INFORMATION

TRADING SYMBOLS

BCT.TELUS Communications Common Voting Shares – BTS

BCT.TELUS Communications Common Non-Voting Shares – BTS.A

Prior to the merger on Jan. 31, 1999, BC TELECOM Common Shares traded as "BCT" and TELUS Common Shares traded as "T"

Subject to shareholder and regulatory approval, the Company intends to change its trading symbols to "T" for Common Voting Shares and "T.A" for Common Non-Voting Shares.

LISTED ON

Toronto Stock Exchange

OWNERSHIP

On Dec. 31, 1999, Anglo-Canadian Telephone Company of Montreal (Common Shares owned by GTE Corporation of Stamford, Connecticut) owned 47,354,954 (26.7%) of the 177,521,891 BCT.TELUS Common Voting Shares outstanding, and 15,784,984 (26.7%) of the 59,156,447 Common Non-Voting Shares outstanding.

Under federal legislation, total non-Canadian ownership of the Common Voting Shares of Canadian telecommunication companies, including BCT.TELUS, is limited to 33 1/3%. To control and monitor this level, we have implemented a Reservation System. This System requires non-Canadian purchasers of Common Voting Shares to obtain a reservation number from our transfer agent, Montreal Trust. The purchaser is notified within two hours if Common Voting Shares are available.

There are no ownership restrictions on the Common Non-Voting Shares.

VOLUME OF SHARES TRADED

(millions)	1994	1995	1996	1997	1998	**Jan. '99**
BC TELECOM	16.8	18.2	18.7	27.3	27.2	**2.2**
TELUS Corporation	73.5	90.0	106.6	117.6	102.9	**6.9**

(millions)	**1999***
BCT.TELUS Common Voting	**56.0**
BCT.TELUS Common Non-Voting	**22.8**

* February 1, 1999 – December 31, 1999

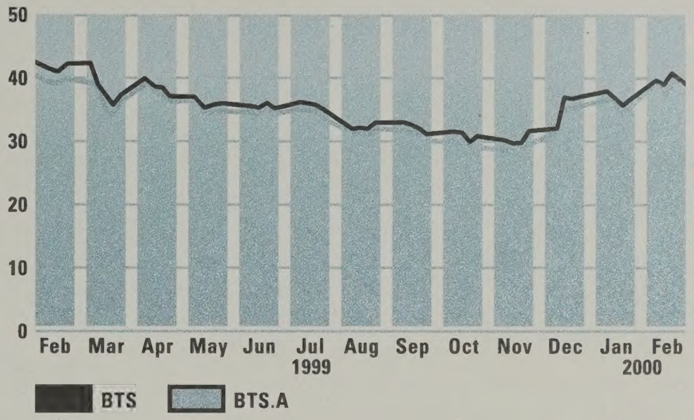
REGISTERED SHAREHOLDERS*

	1994	1995	1996	1997	1998	**Jan. '99**
BC TELECOM	13,096	12,551	12,347	11,966	11,480	**11,360**
TELUS Corporation	52,114	50,111	46,461	44,418	41,611	**41,261**

	1999
BCT.TELUS Common Voting	**48,754**
BCT.TELUS Common Non-Voting	**47,306**

* The Canadian Depository for Securities (CDS) represents one registration and holds securities for many institutions. At the end of 1999, it was estimated that BCT.TELUS had over 45,000 non-registered shareholders in each of the two classes of stock.

BTS AND BTS.A CLOSING PRICES



BCT.TELUS COMMON VOTING SHARES (BTS)

($)	1999 Q1 (2 mo)	Q2	Q3	Q4	2000 Q1 (2 mo)
High	43.00	39.85	36.70	37.70	42.00
Low	35.55	34.70	30.40	28.10	33.75
Close	37.00	35.40	30.65	35.15	39.00
Quarterly dividend declared per share	0.35	0.35	0.35	0.35	0.35

BCT.TELUS COMMON NON-VOTING SHARES (BTS.A)

($)	1999 Q1 (2 mo)	Q2	Q3	Q4	2000 Q1 (2 mo)
High	40.80	39.50	35.35	36.00	41.50
Low	33.50	33.95	28.80	27.25	33.00
Close	35.75	34.85	30.25	34.85	39.55
Quarterly dividend declared per share	0.35	0.35	0.35	0.35	0.35

VALUATION DAY PRICES

For capital gains purposes, the valuation day (December 22, 1971) cost base for BC TELECOM and now BCT.TELUS shares was $6.375 per share. The closing price of BC TELECOM and now BCT.TELUS shares on February 22, 1994 was $25.25 per share — the same price when exchanged into BCT.TELUS shares. The closing price of TELUS Corporation Common Shares on February 22, 1994 was $16.875 per share and $21.71 when exchanged into BCT.TELUS shares.

IF YOU NEED HELP RELATED TO THE FOLLOWING

- exchange of BC TELECOM or TELUS Corporation share certificates to BCT.TELUS Common and Non-Voting certificates
- changes of address
- transfer of shares
- option to receive quarterly information by mail
- loss of share certificates
- consolidation of multiple mailings to one shareholder
- estate settlements
- dividend payments or direct deposit of dividends into your Canadian bank account
- participation in Dividend Reinvestment and Share Purchase Plan

PLEASE CONTACT THE TRANSFER AGENT AND REGISTRAR

- 1-800-558-0046 (toll-free in North America)
- (403) 267-6555 (within Calgary, Alberta and outside North America)
- fax: (403) 267-6592
- web site: www.montrealtrust.com
- e-mail: inquire@montrealtrust.com

Montreal Trust Company
Shareholder Services
600, 530 – 8th Avenue SW
Calgary, Alberta T2P 3S8 CANADA

Montreal Trust also has offices in Vancouver, Edmonton, Regina, Winnipeg, Toronto, Montreal and Halifax.

IF YOU NEED HELP RELATED TO THE FOLLOWING

- merger information
- additional financial or statistical information
- industry and company developments
- latest news releases or investor presentations
- fax-on-demand information available toll-free

PLEASE CONTACT INVESTOR RELATIONS

- 1-800-667-4871 (toll-free in North America)
- (780) 493-7311 (outside North America)
- fax: (780) 493-7399
- e-mail: ir@telus.com

John Wheeler
Vice President, Investor Relations
30, 10020 – 100th Street NW
Edmonton, Alberta T5J 0N5 CANADA

OR VISIT OUR INTERNET SITE

http://www.telus.com — click on "Investors"

SHARE EXCHANGE

With the merger, the Common Shares of BC TELECOM and TELUS Corporation can no longer be traded on the stock exchanges. If you still have a share certificate for either company, you must have it replaced for new BCT.TELUS Common and Non-Voting share certificates. Please contact our transfer agent for instructions. The exchange will occur as follows:

If you are still holding BC TELECOM shares:

- 75% of your BC TELECOM common shares will be exchanged for BCT.TELUS Common Shares
- 25% of your BC TELECOM common shares will be exchanged for BCT.TELUS Non-Voting Shares
- In each case your share exchange will be on a one-for-one basis.

If you are still holding TELUS Corporation shares:

- 75% of your TELUS common shares will be exchanged for BCT.TELUS Common Shares
- 25% of your TELUS common shares will be exchanged for BCT.TELUS Non-Voting Shares
- In each case your share exchange will be on a one for 0.7773 basis.

For registered shareholders, any fractional shares will be paid by cheque.

AUDITORS

Arthur Andersen LLP, Vancouver

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

Shareholders wishing to acquire additional BCT.TELUS shares without fees can take advantage of this plan, which provides a convenient method to acquire additional Common Shares.

Under the Dividend Reinvestment feature eligible shareholders can have their dividends reinvested automatically into additional Common Shares.

Under the Share Purchase feature eligible shareholders can on a monthly basis buy BCT.TELUS Common Shares (maximum of $20,000 per calendar year and minimum $100 per transaction) at the market price without brokerage commissions or service charges.

Information booklets are available from Montreal Trust.

IMPORTANT DATES – EARNINGS AND DIVIDENDS

2000	Expected Dividend Record Dates	Expected Dividend Payment Dates	Expected Earnings Release Dates
Q1	March 10	April 1	May 3
Q2	June 9	July 1	July 26
Q3	September 8	October 1	October 25
Q4	December 11	January 1, 2001	February 2001

ANNUAL MEETING OF SHAREHOLDERS

On Wednesday, May 3, 2000, a multi-site meeting will be held in the following locations:

10:00 a.m. (Pacific time)
Robson Square Conference Centre
800 Robson Street
Vancouver, BC

11:00 a.m. (Mountain time)
Metropolitan Centre
333 – 4th Avenue SW
Calgary, AB

1:00 p.m. (Eastern time)
Metro Toronto Convention Centre
255 Front Street West
Toronto, ON

TELUS™

WWW.TELUS.COM
TELUS, 3777 Kingsway, Burnaby, British Columbia V5H 3Z7

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Designed and produced by Karo, photography by Jason Stang, printed in Canada.